

# **PALOMAR COMMUNITY COLLEGE DISTRICT**

Audit Report

## **ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM**

Education Code Section 76300 and *California Code of Regulations*, Title 5, Sections 58501-58503, 58611-58613, 58620, and 58630

*July 1, 1998, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

April 2013



**JOHN CHIANG**  
**California State Controller**

April 22, 2013

Nancy C. Chadwick, Board President  
Governing Board  
Palomar Community College District  
1140 West Mission Road  
San Marcos, CA 92069

Dear Ms. Chadwick:

The State Controller's Office audited the costs claimed by the Palomar Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program Education Code section 76300 and *California Code of Regulations*, Title 5, sections 58501-58503, 58611-58613, 58620, and 58630 for the period of July 1, 1998, through June 30, 2011.

The district claimed \$11,572,787 (\$11,582,787 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$41,281 is allowable and \$11,531,506 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, overstated student enrollment numbers, understated the number of Board of Governors Grant fee waivers, misstated indirect cost rates, and misstated eligible offsetting revenues. The State paid the district \$693,356. The amount paid exceeds allowable costs claimed by \$652,075.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/vb

cc: Robert P. Deegan, Superintendent/President  
Palomar Community College District  
Ron Ballesteros-Perez, Vice President  
Palomar Community College District  
Phyllis Laderman, Director of Fiscal Services  
Palomar Community College District  
Christine Atalig, Specialist  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Ed Hanson, Principal Program Budget Analyst  
Education Systems Unit  
California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>3</b>
<b>Views of Responsible Official .....</b>	<b>4</b>
<b>Restricted Use .....</b>	<b>4</b>
<b>Schedule 1—Summary of Program Costs .....</b>	<b>5</b>
<b>Findings and Recommendations .....</b>	<b>16</b>
<b>Attachment 1—District’s Response to Draft Audit Report</b>	
<b>Attachment 2—SCO’s Analysis of the District’s Time Increments for Enrollment Fee Collections, Activities 1 through 4</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Palomar Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and *California Code of Regulations*, Title 5, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2011.

The district claimed \$11,572,787 (\$11,582,787 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$41,281 is allowable and \$11,531,506 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, overstated student enrollment numbers, understated the number of Board of Governors Grant (BOGG) fee waivers, misstated indirect cost rates, and misstated eligible offsetting revenues. The State paid the district \$693,356. The amount paid exceeds allowable costs claimed by \$652,075.

## Background

Education Code section 76300 and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630, authorize community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The codes also direct community college districts to report the number of, and amounts provided for BOGG fee waivers and, pursuant to Title 5, *California Code of Regulations*, Division 6, Chapter 9, Subchapter 7, section 58630, to adopt procedures that will document all financial assistance provided on behalf of students.

The sections were added and/or amended by:

- Chapter 1, Statutes of 1984;
- Chapter 274 and 1401, Statutes of 1984;
- Chapter 920 and 1454, Statutes of 1985;
- Chapter 46 and 395, Statutes of 1986;
- Chapter 1118, Statutes of 1987;
- Chapter 136, Statutes of 1989;
- Chapter 114, Statutes of 1991;
- Chapter 703, Statutes of 1992;
- Chapter 8, 66, 67, and 1124, Statutes of 1993;
- Chapter 153 and 422, Statutes of 1994;
- Chapter 308, Statutes of 1995;
- Chapter 63, Statutes of 1996; and
- Chapter 72, Statutes of 1999.

On April 24, 2003, the Commission on State Mandates (CSM) adopted the Statement of Decision for the Enrollment Fee Collection and Waivers Program. The CSM found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on community college districts within the meaning of Article XIII B, Section 6 of the California Constitution and Government Code section 17514.

The CSM found that the following activities are reimbursable:

- Calculating and collecting the student enrollment fee for each student enrolled except for nonresidents, and except for special part-time students cited in section 76300, subdivision (f).
- Waiving student fees in accordance with the groups listed in Education Code section 76300, subdivisions (g) and (h).
- Waiving fees for students who apply for and are eligible for BOGG fee waivers.
- Reporting to the Community Colleges Chancellor the number of and amounts provided for BOGG fee waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the *California Code of Regulations*; and including in the procedures the rules for retention of support documentation which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 1998, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. Except for the issue noted below, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We were unable to assess fraud risk because the district, based on direction of the district's Director of Fiscal Services, did not respond to our inquiries regarding fraud assessment. We increased our substantive testing; however, increased testing would not necessarily identify a fraud or abuse that may have occurred.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Palomar Community College District claimed \$11,572,787 (\$11,582,787 less a \$10,000 penalty for filing a late claim) for costs of the Enrollment Fee Collection and Waivers Program. Our audit found that \$41,281 is allowable and \$11,531,506 is unallowable.

For fiscal year (FY) 1998-99 claim, the State paid the district \$36,404. Our audit found that costs claimed are unallowable. The State will offset \$36,404 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2000-01 claim, the State made no payment to the district. Our audit found that \$12,792 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$12,792, contingent upon available appropriations.

For the FY 2001-02 claim, the State made no payment to the district. Our audit found that \$18,274 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$18,274, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our audit found that \$10,215 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$10,215, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2004-05 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2005-06 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2007-08 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

For the FY 2008-09 claim, the State paid the district \$299,691. Our audit found that claimed costs are unallowable. The State will offset \$299,691 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2009-10 claim, the State paid the district \$357,261. Our audit found that claimed costs are unallowable. The State will offset \$357,261 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2010-11 claim, the State made no payment to the district. Our audit found that claimed costs are unallowable.

**Views of  
Responsible  
Official**

We issued a draft audit report on February 22, 2013. Ron Ballesteros-Perez, Vice President, responded by letter dated March 28, 2013 (Attachment 1) agreeing with the audit results except for Findings 3, 4, and 7. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Palomar Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 22, 2013



# Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 259,424	\$ 51,102	\$ (208,322)	Finding 3
Total direct costs	259,424	51,102	(208,322)	
Indirect costs	84,598	7,670	(76,928)	Finding 8
Total direct and indirect costs	344,022	58,772	(285,250)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(22,321)	(64,114)	(41,793)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	5,342	5,342	Finding 9
Total program costs	<u>\$ 321,701</u>	—	<u>\$ (321,701)</u>	
Less amount paid by the State		(36,404)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (36,404)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 219	\$ 219	\$ —	
Calculating and collection enrollment fees	282,619	52,340	(230,279)	Finding 3
Total direct costs	282,838	52,559	(230,279)	
Indirect costs	92,969	9,061	(83,908)	Finding 8
Total direct and indirect costs	375,807	61,620	(314,187)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(20,131)	(68,148)	(48,017)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	6,528	6,528	Finding 9
Total enrollment fee collection	<u>355,676</u>	—	<u>(355,676)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	170	170	—	Finding 4
Staff training	340	340	—	Finding 5
Adopt procedures, record, and maintain records	—	493	493	Finding 6
Waiving student fees	26,003	2,033	(23,970)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	170	170	—	
Total direct costs	26,683	3,206	(23,477)	
Indirect costs	8,771	553	(8,218)	Finding 8

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000 (continued)</u>				
Total direct and indirect costs	35,454	3,759	(31,695)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(17,511)	(83,694)	(66,183)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	79,935	79,935	Finding 9
Total enrollment fee waivers	17,943	—	(17,943)	
Total program costs	<u>\$ 373,619</u>	—	<u>\$ (373,619)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 192	\$ 192	\$ —	Finding 1
Calculating and collecting enrollment fees	397,467	68,458	(329,009)	Finding 3
Total direct costs	397,659	68,650	(329,009)	
Indirect costs	139,817	10,819	(128,998)	Finding 8
Total direct and indirect costs	537,476	79,469	(458,007)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(13,841)	(66,677)	(52,836)	Finding 9
Total enrollment fee collection	523,635	12,792	(510,843)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	212	212	—	Finding 4
Staff training	425	425	—	Finding 5
Adopt procedures, record, and maintain records	—	715	715	Finding 6
Waiving student fees	37,476	10,748	(26,728)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	212	212	—	
Total direct costs	38,325	12,312	(26,013)	
Indirect costs	13,475	1,940	(11,535)	Finding 8
Total direct and indirect costs	51,800	14,252	(37,548)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(38,326)	(71,048)	(32,722)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	56,796	56,796	Finding 9
Total enrollment fee waivers	13,474	—	(13,474)	
Total program costs	<u>\$ 537,109</u>	12,792	<u>\$ (524,317)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,792</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<b>July 1, 2001, through June 30, 2002</b>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 457,041	\$ 72,368	\$ (384,673)	Finding 3
Total direct costs	457,041	72,368	(384,673)	
Indirect costs	161,838	12,976	(148,862)	Finding 8
Total direct and indirect costs	618,879	85,344	(533,535)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(3,775)	(67,070)	(63,295)	Finding 9
Total enrollment fee collection	615,104	18,274	(596,830)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	231	231	—	Finding 4
Staff training	462	462	—	Finding 5
Adopt procedures, record, and maintain records	—	934	934	Finding 6
Waiving student fees	40,407	11,845	(28,562)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	231	231	—	
Total direct costs	41,331	13,703	(27,628)	
Indirect costs	14,636	2,457	(12,179)	Finding 8
Total direct and indirect costs	55,967	16,160	(39,807)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(41,331)	(54,809)	(13,478)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	38,649	38,649	Finding 9
Total enrollment fee waivers	14,636	—	(14,636)	
Total program costs	\$ 629,740	18,274	\$ (611,466)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 18,274		
<b>July 1, 2002, through June 30, 2003</b>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 442,576	\$ 70,286	\$ (372,290)	Finding 3
Total direct costs	442,576	70,286	(372,290)	
Indirect costs	149,237	10,761	(138,476)	Finding 8
Total direct and indirect costs	591,813	81,047	(510,766)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(13,864)	(70,832)	(56,968)	Finding 9
Total enrollment fee collection	577,949	10,215	(567,734)	
<i>Enrollment fee waivers:</i>				
Prepare policies and procedures	245	245	—	Finding 4
Staff training	490	490	—	Finding 5
Adopt procedures, record, and maintain records	—	924	924	Finding 6
Waiving student fees	44,654	24,781	(19,873)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	245	245	—	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Total direct costs	45,634	26,685	(18,949)	
Indirect costs	15,388	4,085	(11,303)	Finding 8
Total direct and indirect costs	61,022	30,770	(30,252)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(45,634)	(81,422)	(35,788)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	50,652	50,652	Finding 9
Total enrollment fee waivers	15,388	—	(15,388)	
Total program costs	\$ 593,337	10,215	\$ (583,122)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 10,215		
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 1,045	\$ 1,045	\$ —	Finding 1
Staff training	446	446	—	Finding 2
Calculating and collecting enrollment fees	474,093	71,199	(402,894)	Finding 3
Total direct costs	475,584	72,690	(402,894)	
Indirect costs	140,583	10,089	(130,494)	Finding 8
Total direct and indirect costs	616,167	82,779	(533,388)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(27,078)	(112,206)	(85,128)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	29,427	29,427	Finding 9
Total enrollment fee collection	589,089	—	(589,089)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	324	324	—	Finding 4
Staff training	649	649	—	Finding 5
Adopt procedures, record, and maintain records	—	1,162	1,162	Finding 6
Waiving student fees	65,613	30,108	(35,505)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	383	383	—	
Total direct costs	66,969	32,626	(34,343)	
Indirect costs	19,796	4,528	(15,268)	Finding 8
Total direct and indirect costs	86,765	37,154	(49,611)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(66,969)	(101,704)	(34,735)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	64,550	64,550	Finding 9
Total enrollment fee waivers	19,796	—	(19,796)	
Total program costs	\$ 608,885	—	\$ (608,885)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 1,605	\$ 1,605	\$ —	Finding 1
Staff training	191	191	—	Finding 2
Calculating and collecting enrollment fees	515,930	71,001	(444,929)	Finding 3
Total direct costs	517,726	72,797	(444,929)	
Indirect costs	142,737	17,166	(125,571)	Finding 8
Total direct and indirect costs	660,463	89,963	(570,500)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(38,296)	(156,726)	(118,430)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	66,763	66,763	Finding 9
Total enrollment fee collection	622,167	—	(622,167)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	1,065	1,065	—	Finding 4
Staff training	891	891	—	Finding 5
Adopt procedures, record, and maintain records	—	1,254	1,254	Finding 6
Waiving student fees	91,403	41,903	(49,500)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	421	421	—	
Total direct costs	93,780	45,534	(48,246)	
Indirect costs	25,855	10,737	(15,118)	Finding 8
Total direct and indirect costs	119,635	56,271	(63,364)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(93,780)	(116,298)	(22,518)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	60,027	60,027	Finding 9
Total enrollment fee waivers	25,855	—	(25,855)	
Total program costs	\$ 648,022	—	\$ (648,022)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs - salaries and benefits:				
Staff training	\$ 196	\$ 196	\$ —	Finding 2
Calculating and collection enrollment fees	552,012	79,405	(472,607)	Finding 3
Total direct costs	552,208	79,601	(472,607)	
Indirect costs	140,703	19,733	(120,970)	Finding 8
Total direct and indirect costs	692,911	99,334	(593,577)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(36,402)	(158,863)	(122,461)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	59,529	59,529	Finding 9
Total enrollment fee collection	656,509	—	(656,509)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	570	570	—	Finding 4
Staff training	940	940	—	Finding 5
Adopt procedures, record, and maintain records	—	1,577	1,577	Finding 6
Waiving student fees	102,805	46,125	(56,680)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	511	511	—	
Total direct costs	104,826	49,723	(55,103)	
Indirect costs	26,709	12,326	(14,383)	Finding 8
Total direct and indirect costs	131,535	62,049	(69,486)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(104,826)	(106,485)	(1,659)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	44,436	44,436	Finding 9
Total enrollment fee waivers	26,709	—	(26,709)	
Total program costs	<u>\$ 683,218</u>	—	<u>\$ (683,218)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 1,108,900	\$ 84,869	\$ (1,024,031)	Finding 3
Total direct costs	1,108,900	84,869	(1,024,031)	
Indirect costs	315,371	19,817	(295,554)	Finding 8
Total direct and indirect costs	1,424,271	104,686	(1,319,585)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(53,254)	(140,679)	(87,425)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	35,993	35,993	Finding 9
Total enrollment fee collection	1,371,017	—	(1,371,017)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Adopt procedures, record and maintain records	—	1,650	1,650	Finding 2
Waiving student fees	105,521	50,197	(55,324)	Finding 7
Total direct costs	105,521	51,847	(53,674)	
Indirect costs	30,010	12,106	(17,904)	Finding 8
Total direct and indirect costs	135,531	63,953	(71,578)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(105,521)	(130,033)	(24,512)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	66,080	66,080	Finding 9

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
Total enrollment fee waivers	30,010	—	(30,010)	
Total costs	1,401,027	—	(1,401,027)	
Less late filing penalty	(10,000)	—	10,000	
Total program costs	<u>\$ 1,391,027</u>	—	<u>\$ (1,391,027)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 1,273,715	\$ 99,780	\$ (1,173,935)	Finding 3
Total direct costs	1,273,715	99,780	(1,173,935)	
Indirect costs	362,245	26,551	(335,694)	Finding 8
Total direct and indirect costs	1,635,960	126,331	(1,509,629)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(41,784)	(128,290)	(86,506)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	1,959	1,959	Finding 9
Total enrollment fee collection	<u>1,594,176</u>	—	<u>(1,594,176)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Adopt procedures, record, and maintain records	—	1,825	1,825	Finding 6
Waiving student fees	141,986	57,348	(84,638)	Finding 7
Total direct costs	141,986	59,173	(82,813)	
Indirect costs	40,381	15,746	(24,635)	Finding 8
Total direct and indirect costs	182,367	74,919	(107,448)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(141,986)	(122,331)	19,655	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	47,412	47,412	Finding 9
Total enrollment fee waivers	<u>40,381</u>	—	<u>(40,381)</u>	
Total program costs	<u>\$ 1,634,557</u>	—	<u>\$ (1,634,557)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 67	\$ 67	\$ —	Finding 1
Staff training	667	667	—	Finding 2
Calculating and collection enrollment fees	1,605,706	97,056	(1,508,650)	Finding 3

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009 (continued)</u>				
Total direct costs	1,606,440	97,790	(1,508,650)	
Indirect costs	383,457	26,472	(356,985)	Finding 8
Total direct and indirect costs	1,989,897	124,262	(1,865,635)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(128,224)	(128,224)	—	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	3,962	3,962	Finding 9
Total enrollment fee collection	1,861,673	—	(1,861,673)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	151	151	—	Finding 4
Staff training	504	504	—	Finding 5
Adopt procedures, record, and maintain records	38,291	1,859	(36,432)	Finding 6
Waiving student fees	122,728	61,880	(60,848)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	302	302	—	
Total direct costs	161,976	64,696	(97,280)	
Indirect costs	38,664	17,513	(21,151)	Finding 8
Total direct and indirect costs	200,640	82,209	(118,431)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(115,586)	(123,589)	(8,003)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	41,380	41,380	Finding 9
Total enrollment fee waivers	85,054	—	(85,054)	
Total program costs	\$ 1,946,727	—	\$ (1,946,727)	
Less amount paid by the State		(299,691)		
Allowable costs claimed in excess of (less than) amount paid		\$ (299,691)		
<u>July 1, 2009, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 70	\$ 70	\$ —	Finding 1
Staff training	702	702	—	Finding 2
Calculating and collecting enrollment fees	1,349,914	102,564	(1,247,350)	Finding 3
Total direct costs	1,350,686	103,336	(1,247,350)	
Indirect costs	341,453	29,006	(312,447)	Finding 8
Total direct and indirect costs	1,692,139	132,342	(1,559,797)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(157,133)	(157,133)	—	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	24,791	24,791	Finding 9
Total enrollment fee collection	1,535,006	—	(1,535,006)	



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	155	155	—	Finding 4
Staff training	516	516	—	Finding 5
Adopt procedures, record, and maintain records	54,209	1,875	(52,334)	Finding 6
Waiving student fees	170,316	75,465	(94,851)	Finding 7
Reporting BOGG fee waiver data to CCCCCO	309	309	—	
Total direct costs	225,505	78,320	(147,185)	
Indirect costs	57,007	21,984	(35,023)	Finding 8
Total direct and indirect costs	282,512	100,304	(182,208)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(138,745)	(139,436)	(691)	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	39,132	39,132	Finding 9
Total enrollment fee waivers	143,767	—	(143,767)	
Total program costs	<u>\$ 1,678,773</u>	—	<u>\$ (1,678,773)</u>	
Less amount paid by the State		(357,261)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (357,261)</u>		
<u>July 1, 2010, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 16,838	\$ —	\$ (16,838)	Finding 1
Staff training	5,234	—	(5,234)	Finding 2
Calculating and collecting enrollment fees	228,386	106,235	(122,151)	Finding 3
Total direct costs	250,458	106,235	(144,223)	
Indirect costs	65,620	30,043	(35,577)	Finding 8
Total direct and indirect costs	316,078	136,278	(179,800)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(142,296)	(142,296)	—	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	6,018	6,018	Finding 9
Total enrollment fee collection	173,782	—	(173,782)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	284,905	—	(284,905)	Finding 4
Staff training	6,960	—	(6,960)	Finding 5
Adopt procedures, record, and maintain records	58,921	1,796	(57,125)	Finding 6
Waiving student fees	59,072	90,934	31,862	Finding 7
Reporting BOGG fee waiver data to CCCCCO	428	428	—	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011 (continued)</u>				
Total direct costs	410,286	93,158	(317,128)	
Indirect costs	107,495	26,345	(81,150)	Finding 8
Total direct and indirect costs	517,781	119,503	(398,278)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(165,491)	(161,472)	4,019	Finding 9
Adjustment for unused portion of offsets <sup>2</sup>	—	41,969	41,969	Finding 9
Total enrollment fee waivers	352,290	—	(352,290)	
Total program costs	<u>\$ 526,072</u>	—	<u>\$ (526,072)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 1998, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 20,036	\$ 3,198	\$ (16,838)	
Staff training	7,436	2,202	(5,234)	
Calculating and collection enrollment fees	8,947,783	1,026,663	(7,921,120)	
Total direct costs	8,975,255	1,032,063	(7,943,192)	
Indirect costs	2,520,628	230,164	(2,290,464)	
Total direct and indirect costs	11,495,883	1,262,227	(10,233,656)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(698,399)	(1,461,258)	(762,859)	
Adjustment for unused portion of offsets	—	240,312	240,312	
Total enrollment fee collection	10,797,484	41,281	(10,756,203)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	288,028	3,123	(284,905)	
Staff training	12,177	5,217	(6,960)	
Adopt procedures, record, and maintain records	151,421	16,064	(135,357)	
Waiving student fees	1,007,984	503,367	(504,617)	
Reporting BOGG fee waiver data to CCCCCO	3,212	3,212	—	
Total direct costs	1,462,822	530,983	(931,839)	
Indirect costs	398,187	130,320	(267,867)	
Total direct and indirect costs	1,861,009	661,303	(1,199,706)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(1,075,706)	(1,292,321)	(216,615)	
Adjustment for unused portion of offsets	—	631,018	631,018	
Total enrollment fee waivers	785,303	—	(785,303)	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 1998, through June 30, 2011 (continued)</u>				
Total costs	11,582,787	41,281	(11,541,506)	
Less late filing penalty	(10,000)	—	10,000	
Total program costs	<u>\$ 11,572,787</u>	41,281	<u>\$ (11,531,506)</u>	
Less amount paid by the State		<u>(693,356)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (652,075)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Offsetting savings and reimbursements are limited to total allowable direct and indirect costs and are calculated separately for enrollment fee collection and enrollment fee waivers.

# Findings and Recommendations

**FINDING 1—  
Enrollment Fee  
Collection: Preparing  
Policies and Procedures  
Cost Component –  
unallowable one-time  
costs**

The district claimed \$20,036 in salaries and benefits during the audit period for the one-time activity of preparing district policies and procedures for the collection of enrollment fees. We determined that \$3,198 is allowable and \$16,838 claimed for fiscal year (FY) 2010-11 is unallowable. Costs claimed for fiscal years prior to FY 2010-11 were allowable because they were below our threshold of materiality for testing.

Costs claimed for FY 2010-11 are unallowable because the district did not provide support that the costs incurred were required by changes in state law rather than by discretionary activities undertaken by the district to update its own policies and procedures regarding the collection of enrollment fees. Seventy-two percent of the costs claimed for FY 2010-11 (\$12,123) were for 250 hours spent by an Enrollment Services Specialist. The district also claimed 99 hours spent by 10 other staff members on the reimbursable activity. However, for costs to be reimbursable, the district must provide actual cost documentation supporting the extent to which it incurred costs for changes in district policies and procedures that resulted from changes in state law.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and Benefits:			
1999-2000	\$ 219	\$ 219	\$ —
2000-01	192	192	—
2003-04	1,045	1,045	—
2004-05	1,605	1,605	—
2008-09	67	67	—
2009-10	70	70	—
2010-11	16,838	—	(16,838)
Total, salaries and benefits	<u>\$ 20,036</u>	<u>\$ 3,198</u>	<u>\$ (16,838)</u>

The program's parameters and guidelines (section IV–Reimbursable Activities) state: “To be eligible for mandated cost reimbursement, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts.”

The parameters and guidelines also state that salaries and benefits are reimbursable if claimants report each employee implementing the reimbursable activities by name, job classification, productive hourly rate; and provide a description of the specific reimbursable activities performed and the hours devoted to these activities.

The parameters and guidelines (section IV.A.1.a–Reimbursable Activities, Enrollment Fee Collection–One-Time Activities–Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for collection of enrollment fees. The Commission on State Mandates (CSM) Final Staff Analysis for the Proposed Parameters and Guidelines dated January 13, 2006, for the one-time activity of adopting policies and procedures, states “. . . staff finds that updates to the policies and procedures would be subject to change in the community college district’s policy rather than state law, and would not be reimbursable.”

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

Since the costs associated with this finding are minimal, the District agrees with this finding and will ensure future claimed costs are based on actual cost that are properly supported.

#### SCO’s Comment

The finding and recommendation remain unchanged.

#### **FINDING 2— Enrollment Fee Collection: Training Cost Component – unallowable one-time costs**

The district claimed \$7,436 in salaries and benefits during the audit period for the activity of training district staff who implement the program on the procedures for the collection of enrollment fees (one-time per employee). We determined that \$2,202 is allowable and \$5,234 (claimed for FY 2010-11) is unallowable. Costs claimed for fiscal years prior to FY 2010-11 were allowable because they were below our threshold of materiality for testing. For FY 2010-11, the district did not provide documentation related to the nature of the training provided, the length of the training, which district employees attended the training, or whether any of the costs related to trainers’ time. For costs to be reimbursable, the district must document the extent to which it incurred costs for training new district staff that implement the program on the procedures for the collection of enrollment fees.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2003-04	\$ 446	\$ 446	\$ —
2004-05	191	191	—
2005-06	196	196	—
2008-09	667	667	—
2009-10	702	702	—
2010-11	5,234	—	(5,234)
Total, salaries and benefits	<u>\$ 7,436</u>	<u>\$ 2,202</u>	<u>\$ (5,234)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

The parameters and guidelines (section IV.A.1.b–Reimbursable Activities–Enrollment Fee Collection–One-Time Activities–Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program based on the procedures for the collection of enrollment fees. Consistent with the Final Staff Analysis for policies and procedures, training existing staff for changes in the community college district's policies and procedures is not reimbursable.

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

Since the District did not have new enrollment fee collection personnel for FY 2010-2011, we agree with the disallowance of the costs for FY 2010-2011. The District will implement cost calculating procedures ensuring future claimed costs are based on actual cost that are properly supported.

#### SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—  
Enrollment fee  
Collection:  
Calculating and  
Collecting Enrollment  
Fees Cost Component  
– unallowable ongoing  
costs**

The district claimed \$8,947,783 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We determined that \$1,026,663 is allowable and \$7,921,120 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations based on the student enrollment data reported to us by the California Community College Chancellor's Office (CCCCO) and the number of students who paid their enrollment fees online rather than in person, based on information provided to us by the district.

The following table summarizes the overstated ongoing costs related to calculating and collecting enrollment fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and Benefits:			
1998-99	\$ 259,424	\$ 51,102	\$ (208,322)
1999-2000	282,619	52,340	(230,279)
2000-01	397,467	68,458	(329,009)
2001-02	457,041	72,368	(384,673)
2002-03	442,576	70,286	(372,290)
2003-04	474,093	71,199	(402,894)
2004-05	515,930	71,001	(444,929)
2005-06	552,012	79,405	(472,607)
2006-07	1,108,900	84,869	(1,024,031)
2007-08	1,273,715	99,780	(1,173,935)
2008-09	1,605,706	97,056	(1,508,650)
2009-10	1,349,914	102,564	(1,247,350)
2010-11	228,386	106,235	(122,151)
Total	<u>\$ 8,947,783</u>	<u>\$ 1,026,663</u>	<u>\$ (7,921,120)</u>

The parameters and guidelines (section IV.A.2) allow ongoing activities related to costs for calculating and collecting the student enrollment fee for each student enrolled, with the exception of nonresidents and special part-time students cited in Government Code section 76300, subdivision (f), for the following six reimbursable activities:

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **(Activity 1)**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **(Activity 2)**
- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **(Activity 3)**
- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **(Activity 4)**

- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **(Activity 5)**
- vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **(Activity 6)**

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

### **Salaries and Benefits**

For FY 1998-99 through FY 2009-10, the district claimed salaries and benefits for the six reimbursable activities under the Calculating and Collecting Enrollment Fees cost component using time allowances developed from the estimated time it took staff to complete various activities through the use of employees' annual survey forms. For FY 1998-99 through FY 2008-09, employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district's mandated cost consultants. For FY 2009-10, the district prepared its own claim, but used the same average time results that were in its claim for FY 2008-09. For FY 1998-99 through FY 2009-10, the district did not provide any source documentation based on actual data to support the estimated time allowances. For FY 2010-11, the district conducted a time study which included activities 1 through 5. However, the time increment observed by the district for Activity 1 was incorrectly claimed using 2.63 minutes instead of 0.78 minutes. The district also revised its estimate of the time required to conduct Activity 6.

The following table summarizes the minutes claimed for reimbursable activities 1 through 6.

Reimbursable Activity	Claimed				
	FY 1998-99 through FY 2001-02	FY 2002-03 through FY 2004-05	FY 2005-06	FY 2006-07 through FY 2009-10	FY 2010-11
1 Referencing Students Accounts	3.70	3.70	3.70	6.90	2.63
2 Calculating the Fee	5.10	5.10	5.10	3.80	0.56
3 Answering Questions	4.50	4.50	4.50	11.70	1.00
4 Updating Records	3.00	3.00	3.00	9.10	0.91
	<u>16.30</u>	<u>16.30</u>	<u>16.30</u>	<u>31.50</u>	<u>5.10</u>
5 Collecting Delinquent Fees	15.30	15.30	15.30	5.70	1.08
6 Providing Refunds	—	50.20	26.70	6.70	4.16
	<u>15.30</u>	<u>65.50</u>	<u>42.00</u>	<u>12.40</u>	<u>5.24</u>
Totals	<u>31.60</u>	<u>81.80</u>	<u>58.30</u>	<u>43.90</u>	<u>10.34</u>



As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff for FY 1998-99 through FY 2009-10 and the results of the district's time study for FY 2010-11 were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Cashier's Office that collects enrollment fees from students. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We determined that the district overstated salaries and benefits by \$7,921,120 for the audit period.

**Activities 1 through 4**—Activity 1-Referencing student accounts, Activity 2-Calculating and collecting the fee, Activity 3-Answering students' questions, Activity 4-Updating student records

#### *Time Increments*

Using certification forms developed by the district's mandated cost consultants; district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed time allowances per student of 16.30 minutes for its FY 1998-99 through FY 2005-06 claims and 31.50 minutes for its FY 2006-07 through FY 2009-10 claims. Based on our observations, we determined that the time allowances claimed for these activities for these years were overstated. The district conducted a time study for its FY 2010-11 claim and developed a time allowance of 5.10 minutes to perform Activities 1 through 4. However, the district incorrectly used the time increment of 2.63 minutes that it observed for Activity 3 (answering student questions regarding enrollment fee waivers) for Activity 1 (referencing student accounts) instead of the 0.78 minutes that was recorded in the time study for time spent referencing student accounts. As a result, the total time allowance for FY 2010-11 should have been claimed as 3.25 minutes for Activities 1 through 4.

We held discussions with various district representatives during the audit in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Cashier's Office performing the reimbursable activities as well as other non-mandated activities. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations.

As the time study conducted by the district showed that it takes staff approximately 3.25 minutes to perform Activities 1 through 4, we concluded that the district's time study results are reasonable and consistent with our observations. In order to provide an actual cost basis on which to determine allowable costs for the district's claims prior to FY 2010-11, we applied the results of the district's time study to all years of the audit period.

### *Multiplier Calculation*

For Activities 1 through 4, the district claimed costs by multiplying the number of students (multiplier) by a uniform time allowance and an annual average productive hourly rate. For Activities 1 and 3, the district used the number of total enrolled students as the multiplier. In determining student enrollment, the district used the “Student Headcount by Unit Load” summary report obtained from the CCCCCO’s Website. However, this report includes duplicated students by term. The district did not deduct ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001). For Activity 2, the district used the number of total enrolled students less the number of BOGG fee waivers granted. For Activity 4, the district used the number of total enrolled students less the number of BOGG fee waivers granted as the multiplier from FY 1998-99 through FY 2007-08. However, the district used the number of total enrolled students for Activity 4 without excluding the number of BOGG fee waivers granted from FY 2008-09 through FY 2010-11.

We updated the district’s calculations of eligible students for Activities 1 and 3 based on the number of students enrolled as reported to the CCCCCO, less non-resident students and special admit students. The CCCCCO’s management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district’s enrollment based on CCCCCO’s MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students by term based on their Social Security number.

We also updated the district’s calculations of eligible students for Activities 2 and 4 by deducting the number of BOGG recipients from reimbursable student enrollment confirmed by the CCCCCO. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. In addition, we added the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver and deducted students who paid their enrollment through the district’s online system.

For the audit period, the district provided a breakdown of the number of students who paid their enrollment fees by phone, through the district’s online system, and in person. Based on the information provided by the district, we determined the percentage of enrollment fees paid at the Cashier’s Office in person by dividing the number of fees paid in person by the total number of fees paid. We applied the percentage we calculated to the net enrollment number (the number of students enrolled less non-resident students, special admit students and BOGG fee waiver recipients) to determine the number of enrollment fees paid in person. We then included the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver.

### *Productive Hourly Rates*

We also determined that the district overstated the annual average productive hourly rate in its claims for FY 2005-06 and FY 2007-08 through FY 2010-11. For FY 2005-06, the district used a base of 1,500 hours to calculate productive hourly rates. For FY 2007-08 through FY 2010-11, the district's productive hourly rate average that it calculated for Cashier's Office staff did not include the Senior Accounting Assistant classification. As explained in Finding 10, we recalculated the annual average productive hourly rate based on actual employees involved in calculating and collecting enrollment fee activities and made minor changes to the claimed rates.

### **Activity 5—Collecting Delinquent Enrollment Fees**

#### *Time Increment*

Using certification forms developed by the district's mandated cost consultants, district employees estimated the time required to perform reimbursable Activity 5. Based on these certifications, the district developed time allowances per student account of 15.3 minutes for FY 1998-99 through FY 2005-06 and 5.7 minutes per student account for FY 2006-07 through FY 2009-10 to collect delinquent enrollment fees in the Cashier's Office. The district conducted a time study for its FY 2010-11 claim and developed a time allowance of 1.08 minutes to perform Activity 5.

We noted the district's explanation that the time claimed for this activity decreased for FY 2006-07 and subsequent years as the result of upgrades to the district's computer system. However, the district has not yet provided any evidence or actual cost documentation to support the additional time required for years prior to and including FY 2006-07. While the district may collect delinquent fees at the cashier's window, district representatives at the Cashier's Office stated that the majority of students' delinquent fee payments are handled through a batch process in November of each year. In addition, the district sends any remaining delinquent accounts to the CCCCCO, which refers the accounts to the Franchise Tax Board for collection.

We did not observe this activity being performed during our observations at the Cashier's Office. However, the time study conducted by the district showed that it takes staff approximately 1.08 minutes to perform Activity 5. In order to provide an actual cost basis on which to determine allowable costs for the district's claims prior to FY 2010-11, we applied the results of the district's time study to all years of the audit period.

#### *Multiplier Calculation*

For Activity 5, the district provided, and we accepted, the number of delinquent student accounts processed during the audit period.

### *Productive Hourly Rates*

Consistent with the information presented for Activities 1 through 4, the district also overstated the annual average productive hourly rate in its claims for FY 2005-06 and FY 2007-08 through FY 2010-11 for Activity 5. As explained in Finding 10, we recalculated the annual average productive hourly rate based on actual employees involved in calculating and collecting enrollment fee activities and made minor changes to the claimed rates.

**Activity 6**—Providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected

### *Time Increments*

The district did not claim any costs for this activity in its claims for FY 1998-99 through FY 2001-02. Using certification forms developed by the district's mandated cost consultants; district employees estimated the time required to perform reimbursable Activity 6. Based on these certifications, the district developed time allowances per refund transaction of 50.2 minutes for FY 2002-03 through FY 2004-05, 26.7 minutes for FY 2005-06, and 6.7 minutes for FY 2006-07 through FY 2009-10. The district revised its time estimate for Activity 6 to 4.16 minutes per refund transaction based on information provided by district employees.

District staff initiate refunds at the Financial Aid and Scholarships Office and the Cashier's Office staff review the refunds. We noted the district's explanation that the time claimed for this activity decreased for FY 2006-7 and subsequent years as the result of upgrades to the district's computer system. However, the district has not yet provided any evidence or actual cost documentation to support the additional time required for years prior to and including FY 2006-07. Currently, district staff process refunds of students' enrollment fees on an ongoing basis on Mondays. Staff explained that this activity is a two-step process. A Senior Accounting Assistant manually inputs data for the check information and another Senior Accounting Assistant processes the online, credit card, in-person, and check refunds. The refund process is concluded by the second Senior Accounting Assistant. The refund information is sent to Accounts Payable and later processed for delivery to the students.

We did not observe this activity being performed during our observations at the Cashier's Office. For FY 2002-03 through FY 2005-06, costs claimed by the district for this activity are immaterial. Based on the information provided by district staff, we determined that the time claimed for this component is reasonable for FY 2006-07 and subsequent years.

### **Multiplier Calculation**

For Activity 6, the district provided and we accepted the number of refunds processed for students who established fee waiver eligibility after paying their enrollment fees.

### Productive Hourly Rates

Consistent with the information presented for Activities 1 through 4 and Activity 5, the district also overstated the annual average productive hourly rate in its claims for FY 2005-06 and FY 2007-08 through FY 2010-11 for Activity 6. As explained in Finding 10, we recalculated the annual average productive hourly rate based on actual employees involved in calculating and collecting enrollment fee activities and made minor changes to the claimed rates.

### Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 1 through 6.

Reimbursable Activity	Claimed				
	FY 1998-99 through FY 2001-02	FY 2002-03 through FY 2004-05	FY 2005-06	FY 2006-07 through FY 2009-10	FY 2010-11
1 Referencing Students					
Accounts	3.70	3.70	3.70	6.90	2.63
2 Calculating the Fee	5.10	5.10	5.10	3.80	0.56
3 Answering Questions	4.50	4.50	4.50	11.70	1.00
4 Updating Records	3.00	3.00	3.00	9.10	0.91
	<u>16.30</u>	<u>16.30</u>	<u>16.30</u>	<u>31.50</u>	<u>5.10</u>
5 Collecting Delinquent Fees	15.30	15.30	15.30	5.70	1.08
6 Providing Refunds	—	50.20	26.70	6.70	4.16
	<u>15.30</u>	<u>65.50</u>	<u>42.00</u>	<u>12.40</u>	<u>5.24</u>
Total	<u>31.60</u>	<u>81.80</u>	<u>58.30</u>	<u>43.90</u>	<u>10.34</u>

Reimbursable Activity	Allowable				
	FY 1998-99 through FY 2001-02	FY 2002-03 through FY 2003-04	FY 2005-06	FY 2006-07 through FY 2009-10	FY 2010-11
1 Referencing Students					
Accounts	0.78	0.78	0.78	0.78	0.78
2 Calculating the Fee	0.56	0.56	0.56	0.56	0.56
3 Answering Questions	1.00	1.00	1.00	1.00	1.00
4 Updating Records	0.91	0.91	0.91	0.91	0.91
	<u>3.25</u>	<u>3.25</u>	<u>3.25</u>	<u>3.25</u>	<u>3.25</u>
5 Collecting Delinquent Fees	1.08	1.08	1.08	1.08	1.08
6 Providing Refunds	—	50.20	26.70	6.70	4.16
	<u>1.08</u>	<u>51.28</u>	<u>27.78</u>	<u>7.78</u>	<u>5.24</u>
Total	<u>4.33</u>	<u>54.53</u>	<u>31.03</u>	<u>11.03</u>	<u>8.49</u>

### Calculation of Multiplier Adjustment

The following table summarizes the claimed, allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for reimbursable Activities 1 through 6.

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
1	790,968	735,864	(55,104)
2	632,952	325,564	(307,388)
3	790,969	735,864	(55,105)
4	684,307	325,564	(358,743)
5	57,071	57,071	—
6	18,829	18,829	—
Total	<u>2,975,096</u>	<u>2,198,756</u>	<u>(776,340)</u>

### Calculation of Hours Adjustments

We multiplied the allowable minutes per activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 1 through 6.

The following table summarizes the claimed and allowable hours for the audit period.

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
1	61,991.86	9,566.24	(52,425.62)
2	45,523.20	3,038.61	(42,484.59)
3	87,875.90	12,264.40	(75,611.50)
4	58,059.97	4,937.74	(53,122.23)
5	10,746.68	1,067.28	(9,679.40)
6	1,477.62	1,477.62	—
Total Hours	<u>265,675.23</u>	<u>32,351.89</u>	<u>(233,323.34)</u>

### Calculation of Costs by Reimbursable Activities

For Activities 1 and 3 we multiplied the allowable minutes, based on the district's time study (.78 minutes for activity 1 and 1 minute for activity 3) by net student enrollment to determine the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. We then multiplied the hours spent times the audited productive hourly rates to determine allowable costs for salaries and benefits. We determined net student enrollment by excluding non-residents and special part-time students from total student enrollment. The CCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCO identifies the district's enrollment based on the CCCCO's MIS data element STD 7, codes A through G. The CCCCO eliminates any duplicate students based on their Social Security numbers. We also took into account the number of students who paid their enrollment fees using the district's on-line

system or by telephone based on a report that was prepared for us by district staff.

For Activities 2 and 4, we multiplied the allowable minutes, based on the district's time study (0.56 minutes for activity 2 and 0.91 minutes for activity 4) by the adjusted net student enrollment to determine the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. We then multiplied the hours spent times the audited productive hourly rates to determine allowable costs for salaries and benefits. To determine adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received BOGG fee waivers. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCCO based on data the district reported. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$1,026,663 are allowable and \$7,921,120 are unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period.

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
1	\$ 2,099,299	\$ 311,111	\$ 1,788,188)
2	1,419,947	86,627	(1,333,320)
3	3,013,198	394,605	(2,618,593)
4	2,025,671	140,771	(1,884,900)
5	329,461	34,532	(294,929)
6	60,207	59,017	(1,190)
Total	<u>\$ 8,947,783</u>	<u>\$ 1,026,663</u>	<u>\$ (7,921,120)</u>

### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### District's Response

To prepare our response to the time changes that were imposed on our claims for the various enrollment fee collection activities we interviewed personnel that were here in the years indicated, along with Information Services personnel that had knowledge about the speed of the software systems throughout the years. We also found forms and procedures from earlier years. Despite the fact the State Controller's Office Audit Staff (SCO) acknowledges the fact that procedures for collecting enrollment fees may have been more time consuming during the earlier years of the audit period (e-mail dated – Wednesday, February 27), at no point has the SCO indicated they have attempted to

identify these increases in costs for the reimbursable activities in their audit of claims.

As far as the actual processes are concerned, please see our comments below.

**Activity #1 – Referencing student accounts** – This process was extremely more time-consuming than today as the system was considerably slower. Until the system upgrades were completed in FY 2009-2010, the process took much longer. In addition, prior to FY 2005-06 the information needed was not always readily available because the BOGG waivers were not automated yet. Information between departments was not shared before this automation. When a student came to the cashier's window and their account had not been updated for BOGG information, the student had to physically go to the financial aid office and then back to the cashier's window.

Therefore, the District stands by the original time claimed for this activity of 3.7 minutes and thinks this is accurate through FY 2005-2006. For FY 2006-2007 through FY 2009-2010, it's reasonable to identify the time as double what it takes today which would be 1.56 minutes. For 2010-11 the .78 minutes is acceptable. Lastly, the SCO has not displayed any time-calculations to capture these time variances that occurred for this activity over the 13-year period covering this audit.

**Activity #2 – Calculating the fee** – The cashiers had to manually calculate the enrollment fees from the class schedule from FY 1998-1999 through FY 2001-2002. For fiscal years 1998-99, 1999-2000 and 2000-01, the cashiers were required to manually split every payment received between enrollment fees and other fees, and then input the Enrollment Fee manually, one at a time. If not for the Enrollment Fee Collection requirement, this activity would not have been required by Cashiering staff. Through FY 2008-2009, the cashiers had to physically check and empty out drop boxes. This meant that the enrollment fee collection process was very manual through these years. Any time study done now would not reflect this. Again, the processing time in the system was significantly slower than it is today.

When the time estimates were first prepared in FY2005-2006, the cashiers were basing their estimates on how long it took them in year 2005-2006. The process was considerably more time-consuming during the period FY 1998-1999 through FY 2001-2002. Online registration did not occur until FY 2002-2003. Even then not many students took advantage of paying on line and continued to pay by check which meant a very manual process. During this time frame the payments had to be processed by a departmental receipt and were individually processed instead of utilizing a batch process. Printing a receipt for students at the window is still done.

As was the case with Activity #1, the SCO has not displayed any time-calculations to capture these time variances that occurred for this activity over the 13-year period covering this audit. Instead, the SCO has relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. With the above in mind, the District amends its originally claimed time amounts of 5.1 minutes through FY 2001-2002 to be reflective of this additional manual processing time. To calculate the fees manually and split out the payments would take an additional minute for a total of 6.1 minutes.



From FY 2002-2003 through FY 2010-2011, the District stands by the time amounts originally claimed.

**Activity #3 – Answering questions** – Again through FY 2005-2006, very limited information was available online and information was not shared between departments. This significantly increased the amount of questions and time it took to answer student questions. From FY 2006-2007 through FY 2008-2009, although more information was available online, it was still much less so than today. Thus, students still needed their questions answered in-person, even though they could fill out their form online.

As was the case with Activities #1 and #2, the SCO has not displayed any time-calculations to capture these time variances over the 13-year period covering this audit. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore, the District stands behind its originally claimed time amount of 4.5 minutes through FY 2005-2006. From FY 2006-2007 through FY 2008-2009 the time amount should remain at 4.5 minutes, but then reduced to 1.0 minute for FY 2009-2010 and FY 2010-2011.

**Activity #4 – Updating records** – As discussed above, in years past this process was tediously manual and the system extremely slow. The staff would have to pull the information from files and re-file information manually, and even when the system was live it was incredibly slow. When the forms eventually went online the staff would still have to print out the form and file it manually. This process did not become fully automated until late in FY 2008-2009.

As was the case with the first three Activities in FINDING 3, the SCO has not displayed any time-calculations to capture these time variances over the 13-year period covering this audit due to technological improvements. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore the District stands by its originally claimed time of 3.0 minutes and this should be extended through FY 2008-2009. Beginning with FY 2009-2010, .91 minutes as identified by the SCO is acceptable.

**Activity #5 – Collecting delinquent fees** – The staff did not start utilizing COTOP as a collection process until FY 2005-06. Previously, bills were sent out to students. When a student came to the window who owed delinquent fees staff had to inform the student, collect the fee and remove any holds on their account. The process was very manual and the system was incredibly slow. In estimating the time it took to handle this process, the staff was estimating at the high end of the time it would take to deal with the student instead of an average. Even when COTOP was being utilized, the system was incredibly slow and the payments received from COTOP had to be manually input into the student's account. There were a lot of issues with the system and all of these issues were not fully resolved until FY 2010-11.

Similar to Activities #1 through #4, the SCO has not identified any time-calculations used to represent these time variances that ultimately occurred over the 13-year period of this audit. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore, the District amends the time claimed to be 5.7 minutes for FY 1998-1999 through FY 2005-2006. We stand by the original time amount claimed of 5.7 minutes for FY

2006-2007 through FY 2009-2010. We accept the 1.08 minutes for FY 2010-2011.

**Activity #6 – Providing Refunds** – As there were no adjustments to our claim for this activity the District accepts the findings on this activity.

#### SCO's Comment

The finding and recommendation remain unchanged.

#### General Comments

We initially discussed our intent to apply the time currently required to perform the reimbursable activities to the prior years of the audit period with district representatives during a status meeting held on August 19, 2011. The district has had over 18 months to develop reasonable support explaining why these activities required more time in prior years. During the audit exit conference held on November 30, 2012, we discussed with district representatives the issue of providing support for the time required to perform the reimbursable activities during the earlier years of the audit period. The district representatives stated that they would interview staff employed by the district during those years, who would describe what the process was like at that time. In addition, the district stated that they would provide samples of forms and documentation of policies and procedures. However, the district provided only a narrative that described in generic terms the systems in place during the early years of the audit period. The district did not provide any numerical analysis or support to accompany the narrative.

The district's response references interviews with staff employed at the district during the earlier years of the audit period, and various forms and procedural documents. However, the district has not submitted any of this supporting information to us. For example, we do not know what staff were interviewed, their employee classification, years of employment with the district, or the extent to which they were involved with the reimbursable activities.

The district also makes reference to the lack of any time analysis performed by us to represent the time required to perform the reimbursable activities during the various years of the audit period. However, it is the district's responsibility to provide support for its claims. For example, the district provided no analysis, other than the narrative, to show why it took twice as long to perform Activity 1 during the middle years of the audit period and 4.7 times as long during the early years when compared to how long it takes now.

As we noted during the exit conference, it would be helpful if the district approached this analysis from the perspective of what a student would have experienced during the early years of the audit period to have enrollment fees collected and payments processed and how that process differs from what is in place currently. Generic statements such as "the system was incredibly slow" or "the process was extremely manual" does not provide enough information on which to base adjustments to the time increments from the district's recent time study.

While we recognize that the time required to perform the reimbursable activities may have been more time consuming during the earlier years of the audit period, we also conclude that using the time increments proposed by the district for the various reimbursable activities does not provide a reasonable result for most of the years being audited. This is especially true for the earlier years. We reached this conclusion based on analytical procedures that we performed, which are described below, as well as a review of the district's narrative describing the various reimbursable activities.

#### Analytical Review of District's Proposal

We first performed an analytical review of the amount of hours required for district staff to perform the reimbursable activities for enrollment fee collection based on the time increments proposed by the district. To perform this analysis, we used the number of credit students enrolled at the district for Activities 1 and 3 for each fiscal year of the audit period based upon information that we received from the CCCCCO. For Activities 2 and 4, we subtracted the number of students that were granted BOGG fee waivers from total student enrollment also based on information received from the CCCCCO. For all four activities, we multiplied the total time increments proposed by the district by the associated enrollment numbers to compute the total number of hours required to perform the four activities. We then divided the total hours required by the number of staff employed by the district at its Cashier's Office, based upon the number of staff included in the district's claims for each year of the audit period. The district's mandated cost consultants prepared this information and identified it as "Schedule 2A-Enrollment Fee Collection Average PHR." This information was provided to us at the beginning of the audit. The district prepared this same report for all of the claims that it prepared. We concluded that the district staff used to develop the average productive hourly rate for enrollment fee collection activities were the same staff who performed the reimbursable activities. The results show that the time increments proposed by the district for FY 1998-99 through FY 2004-05 are not reasonable. The time required ranged from 1,200 to 2,264 hours per year per staff member to only perform these four reimbursable activities, in spite of their other duties in the Cashier's Office. See Attachment 2 for an analysis we performed by fiscal year.

#### IT System Information

The district's response includes information describing the various operating systems used by the district's computers during the audit period. However, the district provided no analysis showing the approximate number of seconds required to perform any of the reimbursable activities. Such analysis could be based on time required for the district's current operating system to perform the activities and then adjusted based upon processing speeds and software used in previous years. Based on the information provided, we do not believe that the additional computer processing time required would represent a significant difference; as such differences could likely be represented in seconds or fractions of seconds. In addition, we noted that the district acquired the PeopleSoft software system during FY 2000-01 and is still currently using this system. The district referenced several upgrades

made to this system in subsequent years, but has not provided any specifics explaining why this system would have been slower in prior years than it is today.

#### Description of Activities

##### *Activity 1–Referencing Student Accounts*

The district states that “This process was extremely more time consuming years ago than it is today as the system was considerably slower.” This statement is related to the IT systems in place in prior years. As stated above, the district did not provide any analysis to support time required for computer processing or explain why it took twice as long to perform this activity during the middle years of the audit period and 4.7 times as long during the early years of the audit period when compared to how long it takes currently.

In addition, reference is made to the lack of complete information online prior to FY 2005-06 due to the unavailability of automated BOGG fee waiver information. The reimbursable activity is “referencing student accounts and records to determine the course workload, status of payments, eligibility for fee waiver, and printing a list of enrolled courses.” We believe that the district is stating that “some” students were required to be processed twice by Cashier’s Office staff for this activity for instances when the student’s account had not been properly updated for BOGG fee waiver information. In addition, updating student records is part of reimbursable Activity 4.

##### *Activity 2–Calculating the Enrollment Fee*

The district references the need to split up every payment received between enrollment fees and other fees and then enter them one at a time during the earlier years of the audit period. However, Activity 2 is only reimbursable for the time required to calculate enrollment fees, collect enrollment fee payments, and issue receipts. Time required to process other fee payments is not reimbursable, and entering enrollment fees collected is part of reimbursable Activity 4. The district did not provide any analysis, other than the narrative, to explain why it took 3.8 times as long to perform this activity during the middle years of the audit period and 6.56 times as long during the early years of the audit period when compared to how long it takes currently.

The district also references the time required to empty out drop boxes. However, we believe that the reimbursable activities did not begin until the student payments were gathered up out of the lock box for processing.

##### *Activity 3–Answering Questions*

The district states that the time required during the early years of the audit period was more time consuming because “not a lot of information was available online and information was not shared between departments.” However, the reimbursable activity is “Answering student questions regarding enrollment fee collection or referring them to the appropriate person for an answer.” The district did not describe what information from other departments was needed for staff in the Cashier’s Office to answer questions about enrollment fees. In addition, the district did not provide any analysis supporting the basis for the increased time

(4.5 times as long) that it took staff to perform this activity through FY 2008-09 when compared to how long it takes now.

*Activity 4—Updating Records*

The district states that “when the system was live it was incredibly slow.” The narrative also says that “this process was extremely manual.” However, from our perspective, the district did not provide any additional information describing the manual system in place or the additional time required for computer processing. Further, the district did not provide an analysis supporting why it took 3.3 times as long to perform this activity in years through FY 2008-09 when compared to how long it takes now.

*Activity 5—Collecting Delinquent Enrollment Fees*

The narrative provided mentions steps taken during the early years of the audit period, such as sending out bills to students and removing holds from the student’s account. The district provided generic statements such as “the process was manual and the system was incredibly slow” without any analysis to support the statements. The district provided no analysis supporting why it took 5.28 times as long to perform this activity through FY 2009-10 when compared to how long it takes now. Also, staff stated that it estimated the time required at “the high end” rather than an average. However, basing the time required on an average would be a more appropriate basis for analysis rather than relying solely on worst-case scenarios.

**FINDING 4—  
Enrollment Fee  
Waivers: Preparing  
Policies and  
Procedures Cost  
Component –  
unallowable one-time  
costs**

The district claimed \$288,028 in salaries and benefits during the audit period to prepare district policies and procedures for determining which students are eligible for waiver of the enrollment fees. We determined that \$3,123 is allowable and \$284,905 claimed for FY 2010-11 is unallowable. Costs claimed for fiscal years prior to FY 2010-11 were allowable because they were below our threshold of materiality for testing. Costs claimed for FY 2010-11 are unallowable because the district did not provide support that the costs incurred were required by changes in state law rather than by discretionary activities undertaken by the district to update its own policies and procedures regarding the waiver of enrollment fees. Eighty-six percent of the costs claimed for FY 2010-11 (\$245,613) were for 5,700 total hours (1,900 hours each) spent by a Financial Aid Specialist and two Financial Assistance Specialists. Essentially, the district is claiming that these three employees worked full-time during FY 2010-11 on preparing district policies and procedures for waiving student fee activities. The district also claimed 859 hours spent by 19 other staff on the reimbursable activity. However, for costs to be reimbursable, the district must provide actual cost documentation supporting the extent that it incurred costs for changes in district policies and procedures that resulted from changes in state law.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 170	\$ 170	\$ —
2000-01	212	212	—
2001-02	231	231	—
2002-03	245	245	—
2003-04	324	324	—
2004-05	1,065	1,065	—
2005-06	570	570	—
2008-09	151	151	—
2009-10	155	155	—
2010-11	284,905	—	(284,905)
Total, salaries and benefits	<u>\$ 288,028</u>	<u>\$ 3,123</u>	<u>\$ (284,905)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.1.a–Reimbursable Activities, Enrollment Fee Waivers–One-Time Activities–Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for determining which students are eligible for waiver of the enrollment fees. The CSM Final Staff Analysis for the Proposed Parameters and Guidelines dated January 13, 2006, for the onetime activity of adopting policies and procedures, states “. . . staff finds that updates to the policies and procedures would be subject to change in the community college district’s policy rather than state law, and would not be reimbursable.”

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

The 8 hours of time claimed for Mary San Agustin should be allowed for preparing policies and procedures as she had indicated for FY 2010-2011. The cost allowable should be \$815.92.

SCO's Comment

The finding and recommendation remain unchanged.

The district did not provide additional supporting documentation identifying changes in state law that required the district to update its policies and procedures for the enrollment fee waivers. As the costs are reimbursable for this activity on a one-time basis, the district should provide a basic description of what changes were required to policies and procedures due to changes in state law for time spent on this activity.

**FINDING 5—  
Enrollment Fee  
Waiver: Staff  
Training Cost  
Component –  
unallowable one-time  
costs**

The district claimed \$12,177 for the one-time activity of staff training (once per employee) for district staff who implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. We determined that \$5,217 is allowable and \$6,960 claimed for FY 2010-11 is unallowable. Costs claimed for fiscal years prior to FY 2010-11 were allowable because they were below our threshold of materiality for testing. Costs are unallowable for FY 2010-11 because the district did not provide documentation related to the nature of the training, the length of the training, which district employees attended the training, or whether any of the costs related to trainers' time. For costs to be reimbursable, the district must document the extent to which it incurred costs for training new district staff that implement the program on the procedures for determining which students are eligible for the waiver of the enrollment fees.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the one-time reimbursable costs for the Enrollment Fee Waivers–staff training cost component:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 340	\$ 340	\$ —
2000-01	425	425	—
2001-02	462	462	—
2002-03	490	490	—
2003-04	649	649	—
2004-05	891	891	—
2005-06	940	940	—
2008-09	504	504	—
2009-10	516	516	—
2010-11	6,960	—	(6,960)
Total, salaries and benefits	<u>\$ 12,177</u>	<u>\$ 5,217</u>	<u>\$ (6,960)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.1.b–Reimbursable Activities–Enrollment Fee Waivers–One-Time Activities–Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. Consistent with the Final

Staff Analysis, training existing staff for changes in the community college districts policies and procedures is not reimbursable.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

As there were no new employees in the Financial Aid area that required training in FY 2010-2011, we are in agreement with disallowing costs for that year.

#### SCO’s Comment

The finding and recommendation remain unchanged.

#### **FINDING 6— Enrollment Fee Waivers: Adopting Procedures, Recording and Maintaining Records cost component – unallowable ongoing costs**

The district claimed \$151,421 in salaries and benefits related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. We determined that \$16,064 is allowable and \$135,357 is unallowable. All costs claimed were unallowable because they were based on estimates of time to perform the reimbursable activities. In addition, costs claimed were misclassified because the reimbursable activity was claimed under the incorrect cost component. The misclassified costs should have been claimed under Section IV.B.2.b.v of the mandated program (described as Activity 11 in Finding 7), which includes costs incurred for “In the case of an approved application, copy all documentation and file the information for further review or audit.” Allowable costs for this activity are addressed in Finding 7.

Instead, this reimbursable cost component is to capture costs incurred for “Adopting procedures that will document all financial assistance provided on behalf of students pursuant to chapter 9 of title 5 of the California Code of Regulations” and “Recording and maintaining records that document all of the financial assistance provided to students for the waiver of enrollment fees. . . .” Allowable costs were based on our discussions with management of the district’s Financial Aid Office.



The following table summarizes the claimed, allowable, and audit adjustment amounts related to adopting procedures, recording, and maintaining records related to enrollment fee waiver costs:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ —	\$ 493	\$ 493
2000-01	—	715	715
2001-02	—	934	934
2002-03	—	924	924
2003-04	—	1,162	1,102
2004-05	—	1,254	1,254
2005-06	—	1,577	1,577
2006-07	—	1,650	1,650
2007-08	—	1,825	1,825
2008-09	38,291	1,859	(36,432)
2009-10	54,209	1,875	(52,334)
2010-11	58,921	1,796	(57,125)
Total, salaries and benefits	<u>\$ 151,421</u>	<u>\$ 16,064</u>	<u>\$ (135,357)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.2.a–Reimbursable Activities–Enrollment Fee Waivers–Ongoing Activities) allow ongoing activities related to the following:

Adopting procedures that will document all financial assistance provided on behalf of students pursuant to chapter 9 of title 5 of the *California Code of Regulations*; and including in the procedures the rules for retention of support documentation that will enable an independent determination regarding accuracy of the districts certification of need for financial assistance.

Recording and maintaining records that document all of the financial assistance provided to students for the waiver of enrollment fees in a manner that will enable an independent determination of the district’s certification of the need for financial assistance.

## Salaries and Benefits

The costs claimed under this cost component for FY 2008-09 through FY 2010-11, totaling \$151,421, were misclassified and should have been claimed under section IV.B.2.b.v of the mandated program (described as Activity 11 in Finding 7 below). Therefore, we reclassified these costs and analyzed them in Finding 7.

### *Allowable hours for Financial Aid staff meeting*

Management of the district's Financial Aid Office explained how the district incurs costs to comply with the mandated activities, as described in the parameters and guidelines. District staff met for two hours prior to the fall and spring semesters during each year of the audit period to discuss financial aid and BOGG documentation requirements, including any recent changes to the BOGG requirements. In these district financial aid meetings, staff discussed procedures to document all financial assistance provided (BOGG waivers granted and financial aid awarded). Based on the changes to the BOGG waiver requirements or current procedures, district staff discussed the adoption of new procedures to maintain appropriate records and/or supporting documentation required to support the granting of a BOGG waiver.

Staff attending these meetings included Financial Aid Advisors, the Financial Aid Function Specialist, the Financial Aid Function Assistant, and the Financial Aid Director. We determined that the time spent for BOGG fee waiver procedural changes and the staff meetings is reasonable to comply with the reimbursable activities. Therefore, we determined four allowable hours per employee classification in attendance at these meetings for all fiscal years of the audit period. We applied this methodology from FY 1999-2000 through FY 2010-11.

The table below summarizes the hours allowable per employee classification per fiscal year:

Fiscal Year	Employee Classification				Allowable Hours
	Financial Assistant Advisor	Function Specialist Assistant	Function Specialist	Financial Aid Director	
1999-2000	12	4	0	4	20
2000-01	12	4	4	4	24
2001-02	16	4	4	4	28
2002-03	16	4	4	4	28
2003-04	20	4	4	4	32
2004-05	20	4	4	4	32
2005-06	24	4	4	4	36
2006-07	24	4	4	4	36
2007-08	24	4	4	4	36
2008-09	24	4	4	4	36
2009-10	24	4	4	4	36
2010-11	20	4	4	4	32
Total allowable hours					<u>376</u>

We applied the audited productive hourly rates to the allowable hours per classification to determine allowable costs.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District's Response

The District is in agreement with the SCO increasing these allowable costs by \$1,130.

#### SCO's Comment

The finding and recommendation remain unchanged.

#### **FINDING 7— Enrollment Fee Waivers: Waiving Student Fees Cost Component – unallowable ongoing costs**

The district claimed \$1,007,984 in salaries and benefits for the Waiving Student Fees cost component during the audit period in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We determined that \$503,367 is allowable and \$504,617 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations based on data the district reported to the CCCCCO.

The following table summarizes the overstated ongoing costs related to waiving student fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 26,003	\$ 2,033	\$ (23,970)
2000-01	37,476	10,748	(26,728)
2001-02	40,407	11,845	(28,562)
2002-03	44,654	24,781	(19,873)
2003-04	65,613	30,108	(35,505)
2004-05	91,403	41,903	(49,500)
2005-06	102,805	46,125	(56,680)
2006-07	105,521	50,197	(55,324)
2007-08	141,986	57,348	(84,638)
2008-09	122,728	61,880	(60,848)
2009-10	170,316	75,465	(94,851)
2010-11	59,072	90,934	31,862
Total, salaries and benefits	<u>\$ 1,007,984</u>	<u>\$ 503,367</u>	<u>\$ (504,617)</u>

The parameters and guidelines (section IV.B.2.b–Reimbursable Activities–Enrollment Fee Waivers–Ongoing Activities) allow the following ongoing reimbursable activities:

- a. Waiving student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h.) waiving fees for students who apply for and are eligible for BOG fee waiver.
  - i. Answering student’s questions regarding enrollment fee waivers or referring them to the appropriate person for an answer. **[Activity 7]**
  - ii. Receiving of waiver applications from students by mail, fax, computer online access, or in person, or in the form of eligibility information processed by the financial aid office. **[Activity 8]**
  - iii. Evaluating each application and verification documents (dependency status, household size and income, SSI and TANF/CalWorks, etc.) for compliance with eligibility standards utilizing information provided by the student, from the student financial aid records (e.g., Free Application for Federal Student Aid (FAFSA), and other records. **[Activity 9]**
  - iv. In the case of an incomplete application or incomplete documentation, notify the student of the additional required information and how to obtain that information. Hold student application and documentation in suspense file until all information is received. **[Activity 10]**
  - v. In the case of an approved application, copy all documentation and file the information for further review or audit. Entering the approved application information into district records and / or notifying other personnel performing other parts of the process (e.g., cashier’s office). Providing the student with proof of eligibility or an award letter, and file paper documents in the annual file. **[Activity 11]**
  - vi. In the case of a denied application, reviewing an evaluating additional information and documentation provided by the student if the denial is appealed by the student. Provide written notification to the student of the results of the appeal or any change in eligibility status. **[Activity 12]**

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time that actual costs were incurred for the event or activity in question. (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

### **Salaries and Benefits**

The district claimed salaries and benefits during the audit period to waive student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h)) and to waive fees for students who apply for and are eligible for BOGG fee waivers. For FY 1999-2000 through FY 2009-10, the district claimed salaries and benefits for the six reimbursable activities under the Waiving Student Fees cost component using time allowances developed from estimated time it took staff to complete various activities through the use of employees' annual survey forms. For FY 1999-2000 through FY 2008-09, employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district's mandated cost consultants. For FY 2009-10, the district prepared its own claim, but used the same average time results that were in its claim for FY 2008-09. For FY 1999-2000 through FY 2009-10, the district did not provide any source documentation based on actual data to support the estimated time allowances. For FY 2010-11, the district conducted a time study which included activities 7 through 12.

The following table summarizes the minutes claimed for reimbursable activities 7 through 12.

Reimbursable Activity	Claimed					
	FY 1999-2000 through	FY 2003-04 through			FY 2008-09 through	
	FY 2002-03	FY 2005-06	FY 2006-07	FY 2007-08	FY 2009-10	FY 2010-11
7 Answering questions	4.30	4.30	4.80	5.50	5.50	2.63
8 Receive applications	4.10	4.10	4.60	4.70	4.70	0.67
9 Evaluate applications	5.60	5.60	5.30	6.60	6.60	2.00
10 Incomplete applications - notification	—	3.80	4.20	5.30	5.30	0.81
11 Approved applications	4.90	4.90	3.90	5.50	—	—
12 Review waiver denials appealed by students	—	3.00	2.80	4.20	4.20	2.91
Totals	18.90	25.70	25.60	31.80	26.30	9.02

As the mandated activities took place at the district during the audit, we assessed whether or not the time estimates cited by district staff for FY 1999-2000 through FY 2009-10 and the results of the district's time study for FY 2010-11 were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid and Scholarship Office that processes students' BOGG fee waiver applications. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students who received BOGG fee waivers. We recalculated reimbursable activities using the correct number of students who received BOGG fee waivers (multiplier). We determined that the district overstated salaries and benefits by \$504,617 for the audit period.

## Activities 7 through 12

### BOGG Fee Waiver Application Processing – General Information

According to the district's website, the various BOGG fee waivers that may be granted are as follows:

BOGG waiver A: For students receiving cash assistance from: TANF/CalWORKs, SSI/SSP, General Assistance. Proof of benefits dated within the last 60 days must be submitted to verify eligibility. Recipients of BOGW A will have their enrollment & student center fees waived and may purchase one reduced rate (\$20/semester) parking permit.

BOGG waiver B: For low income students. It is based on the previous year's income. If students do not meet the independent criteria (see BOGW application for criteria), they will use their parents income to qualify. Recipients of BOGW B will have their enrollment fees waived and may purchase one reduced rate (\$20/semester) parking permit.

BOGG waiver C: eligibility is determined by filing a FAFSA (Free Application for Federal Student Aid) application. Once the district receives a valid SAR (Student Aid Report), the student will automatically be considered for a BOGW. Recipients of BOGW C will have their enrollment fees waived and may purchase one reduced rate (\$20/semester) parking permit.

Special Classification BOGG waiver: For dependent students of qualified Veterans, Congressional Medal of Honor recipients; Victims of the September 11, 2001 terrorist attack; and deceased law enforcement/fire personnel killed in the line of duty. Proof of eligibility from the appropriate district is required.

Source: <http://www.palomar.edu/fa/BOGW.htm>

We determined that the district may process some students twice if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or BOGG fee waiver B. In addition, district staff will have little or no involvement with students who use the district's online BOGW application process or the FASFA online process for BOGG fee waiver C. For FY 1999-2000 through FY 2001-02, all applications were received in paper form and manually processed by district staff. Students were able to apply for BOGG fee waivers online beginning in 2002-03.

For BOGG fee waiver A, students may apply online or in person. However, whether students apply online or in person, the student still must bring in proof of benefits received to the Financial Aid and Scholarship Office.

For BOGG fee waiver B, only students who are dependents must bring in a parent signature page. However, if the student is independent, and qualify based on income requirements, there is no staff time involved to process this application. For these students, the system automatically approves the BOGG fee waiver. Once the BOGG waiver is granted, students receive an automatic notice through their online e-Services school account.

For BOGG fee waiver C, students initially may apply for BOGG fee waiver A or B and be denied. If the student does not qualify for a BOGG fee waiver the student is asked to apply for financial aid. A BOGG fee waiver C may then be granted through the FAFSA application process. There are no additional documentation requirements for the BOGG fee waivers granted through the FAFSA. However, there are additional FAFSA documentation verification requirements, such as maintaining a certain GPA, verifying tax returns, and verifying maximum units taken. After the FAFSA requirements have been reviewed, staff reviews specific information in order to grant a BOGG fee waiver if the student qualifies and one has not already been automatically granted. The increased staff involvement for the BOGG fee waiver in this case occurs after the FAFSA requirements have been reviewed.

For special-classification BOGG waivers, the staff time involvement is similar to the BOGG A fee waiver, as described above. Students must bring in proof of eligibility to the Financial Aid and Scholarship Office.

Most students apply online for the BOGG fee waiver. However, for those students who submit paper fee waiver applications, we were given an overall step-by-step overview of how district staff process the paper BOGG fee waiver applications and review supporting documentation. The district computer system also has a trigger for financial aid staff to verify specific BOGG fee waiver applications submitted through the district's online BOGW system, such as applications from students with very low income in comparison to their expenses. Staff is responsible for manually evaluating these applications to determine if the applicant must supply supporting documentation.

#### **Activity 7—Answering Student Questions**

We observed an Enrollment Services Specialist and a Financial Aid Specialist alternate every hour to help students who come in-person to apply for a BOGG fee waiver. The district staff accept paper BOGG fee waiver applications at the front counters, and answer questions. Staff also may direct students to fill out the BOGG fee waiver application online at a computer located adjacent to the counter. Financial Aid staff at the back counters of the Financial Aid Office evaluate BOGG fee waiver applications, notify students by email of approved, incomplete, and denied applications, and call students to obtain additional information.

#### **Activity 8—Receiving Enrollment Fee Waiver Applications**

Currently, the district may receive BOGG fee waiver applications in person, through the district's BOGW online system, or through the FAFSA website. Most of the BOGG fee waivers currently processed by the district are through the district's BOGW online system and through the FAFSA website.

#### **Activity 9—Evaluating waiver applications and verifying documentation**

The Financial Aid Advisors evaluated and processed the BOGG fee waiver applications prior to FY 2009-10. Beginning in FY 2010-11, two

Financial Aid Specialists were assigned to evaluate and process the BOGG fee waivers.

**Activity 10**–Notifying students of additional required information, in the case of an incomplete application

District staff may send a student an e-mail to advise them that information is missing. In addition, most students initiate communication with district staff if the BOGG fee waiver has not been granted or posted. Staff may access a student's computer file and view prior comments or notes and inform students of additional required information, if any.

Financial Aid Office staff indicated that incomplete BOGG fee waiver applications take additional time for review and re-evaluation. If the district's computer system rejects a BOGG fee waiver application, staff review the incomplete application and insert a comment into the student's computer file explaining why the waiver was rejected.

**Activity 11**–Copying all documentation and file the information for further review, in the case of an approved application

We observed staff evaluating applications for eligibility, verifying documentation (Activity 9), copying all documentation, and filing the information for further review (Activity 11). If the district determined that the student is eligible for a BOGG fee waiver, staff post the fee waiver, award a letter, and create a budget for the student.

For the online process, the student's information is loaded into the district's student database from the FAFSA. During the FAFSA application process, staff briefly review the student's information to determine if the student is eligible for a BOGG fee waiver. If the student is eligible for a BOGG fee waiver, staff post the BOGG to the student's account.

**Activity 12**–Appealing a denied BOGG fee waiver application

We determined that the district does not have a formal appeal process for denied BOGG fee waiver applications. However, the district explained that any additional information and documentation provided by students pertaining to denied fee waiver applications is considered an appeal of the initial denial. According to Financial Aid staff, there are very few denials. The denials usually result because the student's and/or parent(s)' income exceeds the eligibility threshold. If the waiver is denied, a comment is inserted into the student's account explaining the reason for the denial, and students are instructed to apply for FAFSA if they do not qualify for a BOGG fee waiver.



## Time Increments

Using certification forms developed by the district's mandated cost consultants, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed per-student time allowances of 18.9 minutes for FY 1999-2000 through FY 2002-03, 25.7 minutes for FY 2003-04 through FY 2005-06, 25.6 minutes for FY 2006-07, 31.8 minutes for FY 2007-08, and 26.3 minutes for FY 2008-09 and FY 2009-10.

We determined that the time allowances claimed for these activities for these years were overstated. The district conducted a time study for its FY 2010-11 claim and developed a time allowance of 9.02 minutes to perform activities 7 through 12. The district prepared a worksheet outlining the results of its time study. We noted that the description of Activity 7 is "Answering student questions regarding enrollment fee waiver updating written and computer records for enrollment fee waiver information." The description of the activity goes beyond what is reimbursable for Activity 7 and we concluded that the district's time study actually included both Activity 7 and Activity 11.

As noted in Finding 6, the district misclassified costs claimed for Activity 11 under the incorrect cost component. We reclassified these costs and analyzed them here. Using certification forms developed by the district's mandated cost consultant, the district claimed 5.5 minutes per student for FY 2008-09 and FY 2009-10. The district revised its time estimate for Activity 11 to 5.1 minutes per student based on information provided by district employees. We used the results of the district's time study for Activity 7 as a combined time increment for Activity 7 and Activity 11.

We held discussions with various district representatives during the audit in order to determine the procedures district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office performing the reimbursable activities and other non-mandated activities. We documented the average time increments spent by district staff for the reimbursable activities. Over several days, we observed enrollment fee waiver transactions processed by district staff encompassing Activities 7 through 12. For Activities 7 and 8, we observed 37 related enrollment fee waiver inquiries totaling 139.24 minutes. The average time to perform both activities was 4 minutes. For Activity 9 through Activity 12, we observed 14 enrollment fee waiver applications evaluated, processed, and posted, totaling 38.36 minutes. The average time to perform the activities was 3 minutes for all three activities. Based on our observations, we determined that it takes staff approximately 7 minutes to perform Activities 7 through 12.

The time study conducted by the district showed that it takes staff approximately 9.02 minutes to perform Activities 7 through 12. We concluded that the district's time study results are reasonable and consistent with our observations. In order to provide an actual cost basis on which to determine allowable costs for the district's claims prior to FY 2010-11, we applied the results of the district's time study to all years of the audit period.

### **Multiplier Calculation**

For Activities 7 through 10, the district claimed costs by multiplying the number of students who received a BOGG fee waiver by a uniform time allowance and an annual average productive hourly rate. For Activities 7, 8, and 9, the district used the number of students who received a BOGG fee waiver plus the number of denied and incomplete BOGG fee waiver applications as the multiplier. For Activity 10, the district used the number of students who received a BOGG fee waiver. For Activity 11, the district used the number of incomplete BOGG fee waiver applications. For Activity 12, the district used the number of BOGG fee waivers that were appealed by students for incorrect information.

For Activities 7, 8, and 9, we applied the time required to perform the reimbursable activities by the number of students who received BOGG fee waivers, according to statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identified the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. For Activity 9 (evaluating BOGG fee waiver applications), we adjusted the CCCCCO information by including students whose fee waiver applications were incomplete and denied, based on information provided by the district.

For Activity 10 (incomplete BOGG fee waiver applications) we applied the time increments to the number of incomplete BOGG fee waiver applications claimed by the district.

For Activity 11 (approved BOGG fee waiver applications) we applied the time required to perform the reimbursable activity by the number of students who received BOGG fee waivers according to statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

For Activity 12 (appeals of denied BOGG fee waiver applications) we applied the time increments to the number of student appeals of denied BOGG fee waiver applications claimed by the district.

### Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 7 through 12.

Reimbursable Activities	Claimed						Allowable
	FY 1999-00 through FY 2002-03	FY 2003-04 through FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09 through FY 2009-10	FY 2010-11	FY 1999-2000 through FY 2010-11
7 Answering questions	4.30	4.30	4.80	5.50	5.50	2.63 (a)	2.63
8 Receiving waiver applications	4.10	4.10	4.60	4.70	4.70	0.67 (a)	0.67
9 Evaluating waiver applications	5.60	5.60	5.30	6.60	6.60	2.00 (a)	2.00
10 Incomplete waiver applications		3.80	4.20	5.30	5.30	0.81 (a)	0.81
11 Approved applications	4.90	4.90	3.90	5.50	—	— (a)	0.89 (b)
12 Appeals of denied waiver applications		3.00	2.80	4.20	4.20	2.91 (a)	2.91
	<u>18.90</u>	<u>25.70</u>	<u>25.60</u>	<u>31.80</u>	<u>26.30</u>	<u>9.02</u>	<u>9.91</u>

Note: Numbering is used to facilitate referencing to individual reimbursable activities.

- (a) The time increments claimed for FY 2010-11 are supported by the district's actual time study. The district's time study combined time for Activity 7 and Activity 11 together under Activity 7.
- (b) The district suggested, and we agreed, that 0.89 minutes should be applied to Activity 11 because their time study did not include additional time to approve BOGG fee waivers applications. We determined this to be a reasonable time increment to comply with the reimbursable activity.

### Calculation of Multiplier Adjustment—Number of BOGG Fee Waivers

The following table summarizes the claimed and allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district for reimbursable Activities 7 through 12.

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
7	101,044	128,690	27,646
8	101,044	128,690	27,646
9	101,044	128,690	27,646
10	5,503	5,503	—
11	56,492	122,970	66,478
12	<u>4,818</u>	<u>4,818</u>	<u>—</u>
Total	<u>369,945</u>	<u>519,361</u>	<u>149,416</u>

### Productive Hourly Rates

We made no adjustments to the average productive hourly rates claimed for the activities involved with waiving student fees. Therefore, we applied the allowable minutes and the allowable number of BOGG fee waiver applications processed to the claimed productive hourly rates.

### Calculation of Hours Adjustments

We multiplied the allowable minutes per reimbursable activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 7 through 12.

The following table summarizes the claimed and allowable hours by reimbursable activity for the audit period.

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
7	7,565.96	5,640.90 (a)	(1,925.06)
8	6,445.53	1,437.06 (a)	(5,008.47)
9	9,039.59	4,289.65 (a)	(4,749.94)
10	384.85	74.31 (a)	(310.54)
11	4,567.09	1,824.05 (b)	(2,743.04)
12	256.74	233.69 (a)	(23.05)
Total Hours	28,259.76	13,499.66	(14,760.10)

- (a) The allowable hours are supported by the district's actual time study conducted for FY 2010-11. The district's time study combined Activity 7 and Activity 11 (2.63 minutes).
- (b) The district suggested, and we agreed, that 0.89 minutes should be applied to Activity 11 because their time study did not include additional time to approve BOGG fee waiver applications. We determined this to be a reasonable time increment to comply with the reimbursable activity.

### Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$435,716 are allowable and \$572,268 are unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period.

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
7	\$ 278,744	\$ 212,277 (a)	\$ (66,467)
8	231,313	53,280 (a)	(178,033)
9	326,240	159,046 (a)	(167,194)
10	14,254	2,721 (a)	(11,533)
11	148,117	67,651 (b)	(80,466)
12	9,316	8,392 (a)	(924)
Total	<u>\$ 1,007,984</u>	<u>\$503,367</u>	<u>\$ (504,617)</u>

- (a) The allowable salaries and benefits are supported by the districts actual time study conducted for FY 2010-11. The districts time study combined Activity 7 and Activity 11 (2.63 minutes for both activities).
- (b) The district suggested, and we agreed, that 0.89 minutes should be applied to Activity 11 because their time study did not include additional time to approve BOGG fee waivers applications. We determined this to be a reasonable time increment to comply with the reimbursable activity.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District's Response

To prepare our response to the time changes that were imposed on our claims for the various enrollment fee waiver activities we interviewed personnel that were here in the years indicated, along with Information Services personnel that had knowledge about the speed of the software systems throughout the years. We also found forms and procedures from earlier years. As previously described in Finding 3, despite the fact the State Controller's Office Audit Staff (SCO) acknowledges the procedures for waiving enrollment fees may have been more time consuming during the earlier year of the audit period (e-mail dated – Wednesday, February 27), at no point has the SCO indicated they have attempted to identify these increases in costs for the reimbursable activities in their audit of claims. Our conversations with District staff, confirm this as they have not had any contact with SCO Audit Staff. As a result, the District believes the following information for Finding #7 to be accurate:

**Activity #7 – Answering Student Questions** – Prior to FY 2001-2002, all students were required to fill out a paper BOGW application. When questions arose, the staff had to physically pull the paper file out from a center cabinet in order to review the application. From FY 2002-2003 through FY 2005-2006, the staff would print out the online application and then file the paper copy to the center file. From FY 1998-1999 through FY 2005-2006, the application was printed in the class schedule and the student had to rip it out and bring it in with them. When questions arose staff still

had to pull the file from the center cabinet. More time was spent up-front answering questions because there was no electronic means of communication; it was all done in-person with the students. The student had to come back in to check on their status in-person, which also meant more students ended up being in line. After FY 2005-2006, the District implemented online BOGW waiver applications in PeopleSoft. However, this was not a smooth process and the Systems Module Functional Specialist had to continually tweak the program, especially during FY 2004-2005 through FY 2008-2009. The bugs in the system cost processing delays and made answering questions even more difficult.

Prior to 2008, students were not required to fill out FAFSA when applying to college. Therefore, the staff spent a majority of the time explaining to students how to apply and who could qualify for BOGW waivers. Therefore, due to the intense manual time it took to answer questions before FY 2006-2007 the District stands by the original time claimed for this activity which was 4.3 minutes. For FY 2006-2007 and ongoing, as this process was more automated in nature, the 2.63 minutes is acceptable. As described above, the SCO does not offer a variance to match the changes in the District's process for allowable time performing this activity during the FY 1999-2000 through 2005-2006 of the Audit Period. Instead, a time-survey conducted in these last 15 months was used as the basis for allowable activity for the previous 13 years of claims.

**Activity #8 – Receiving Enrollment Fee Waiver Applications** – Prior to FY 2005-2006, the system was completely manual and the financial aid personnel would have to manually receive all applications, at the same time ensuring everything on the application was complete. These applications would also have to be filed and retrieved manually. From FY 2005-2006 through FY 2008-2009 there was an online system, but as stated above, that system was considerably slower than it currently is.

Therefore, due to the intense manual effort it took to receive all applications prior to FY 2006-2007 the District stands by the original time claimed for this activity which was 4.1 minutes. As described above, the survey for this time was taken while the District's process was still in place. As previously alluded to, the SCO does not offer a variance in the allowable time for this activity during the FY 1999-2000 through FY 2005-2006 of the Audit Period. For FY 2006-2007 onward, as this process was more automated in nature, the .67 minutes is acceptable.

**Activity #9 – Evaluating waiver applications and verifying documentation** – The same methods were employed here as above. Prior to FY 2005-2006 everything concerning an application was done manually, including verifying all applications and evaluating them. All documentation checking was a manual process as well because no information was shared electronically between departmental areas. This meant the following processes had to be done manually: checking all student IDs or social security information, verifying that the student was a California resident, analyzing and confirming the student's dependency status to ensure the proper status was indicated on the application, and looking at the appropriate tax returns.

Therefore, due to the intense manual effort it took to receive all applications prior to FY2006-07 (1999-2000 through FY 2005-2006) the District stands by the original time claimed for this activity which was 5.6 minutes. The time was determined to be representative during the period of the 2005-2006 fiscal year. The SCO has relied solely on the time surveyed in FY 2011-2012 to represent this same period of time. For FY 2006-07 and

onward, as this process was more automated in nature, the 2.0 minutes is acceptable.

**Activity #10 – Notifying students of additional required information, in the case of an incomplete application** – The same methods were employed here as above. Prior to FY2005-06 students were contacted by phone or possibly e-mail. It was a highly manual process. After FY2005-06 contact was by e-mail and everything was in the system. If the student brought in more information, the file had to be pulled from the cabinet and processed manually if it was before FY2005-06. Any changes to applications between FY 2006-2007 and FY 2008-2009 had to be done by the staff because there was a system security issue that meant students could not change information themselves.

Therefore, due to the intense manual effort it took to receive all applications prior to FY 2006-2007 the District stands by the original time claimed for this activity which was 3.8 minutes. For FY 2006-2007 onward, as this process was more automated in nature, the .81 minutes is acceptable. As described in the previous Activities (#7, #8 and #9) under Finding 7, the District claimed time that was identified as accurate during the period the process was in place. As previously described, the SCO does not offer a variance in the allowable time for this activity during the FY 1999-2000 through FY 2005-2006 of the Audit Period.

**Activity #11 – Copying all documentation and file the information for further review, in the case of an approved application** – This was discussed at the exit conference and it is the District's understanding that the time approved for this activity will be 2.91 minutes for all years, to which we still agree.

**Activity #12 – Appealing a denied BOGW fee waiver application** – The District disagrees with the SCO that there is no formal appeal process for denied BOGW fee waiver applications. The appeals process is not very dissimilar to how it has always been. When a student appeals, they write out their reasoning for the appeal, the front counter staff prints out the screen (or when done manually, pulls the file), walks the information to Mary SanAgustin who looks at all the documents, enters her decision online (or on the form when it was done manually) and gives it back to the staff person, who then contacts the student. The time study we have done today has shown it takes 3 minutes for the appeals process, and the District thinks this time should be applicable to all years.

#### SCO's Comment

The finding and recommendation remain unchanged.

#### General Comments

We initially discussed our intent to apply the time currently required to perform the reimbursable activities to the prior years of the audit period during a status meeting held on August 19, 2011. The district has had over 18 months to develop reasonable support explaining why these activities required more time in prior years. During the audit exit conference held on November 30, 2012, we discussed with district representatives the issue of providing support for the time required to perform the reimbursable activities during the earlier years of the audit period. The district representatives stated that they would interview staff employed by the district during those years, who would describe what the process was like at that time. In addition, the district stated that they

would provide samples of forms and documentations of policies and procedures. However, the district provided only a narrative that described in generic terms the systems in place during the early years of the audit period. The district did not provide any numerical analysis or support to accompany the narrative.

The narrative references interviews with staff employed at the district during the earlier years of the audit period, and various forms and procedures documents. However, the district provided no information with the narrative to support the information submitted. In addition, the district's explanation for some of the reimbursable activities co-mingles steps that are reimbursable for other reimbursable activities.

As we noted during the exit conference, it would be helpful if the district approached this analysis from the perspective of what a student would have experienced during the early years of the audit period to have a BOGG fee waiver application processed and how that process differs from what is in place currently. Generic statements such as "the system was incredibly slow" or "the process was extremely manual" does not provide enough information on which to base adjustments to the time increments from the district's recent time study.

In addition, the district provided no analysis in the narrative to show, for example, why it took 1.64 times longer to perform Activity 7 during the early years of the audit period (through FY 2005-06) than it takes now.

#### IT System Information

In its response to Finding 3, the district references the information describing the various operating systems used in the district's computers during the audit period.. However, the district provided no analysis showing the approximate number of seconds required to perform any of the reimbursable activities. Such analysis could be based on time required for the district's current operating system to perform the activities and then adjusted based upon processing speeds and software used in previous years. Based on the information provided, we do not believe that the additional computer processing time required would represent a significant difference; as such differences could likely be represented in seconds or fractions of seconds. In addition, we noted that the district acquired the PeopleSoft software system during FY 2000-01 and is still currently using this system. The district referenced several upgrades made to this system in subsequent years, but has not provided any specifics explaining why this system would have been slower in prior years than it is today.

#### Description of Activities

##### *Activity 7—Answering Student Questions*

The district explained the time increments required to perform the activity during the earlier years of the audit period in a generic narrative. However, as noted in our General Comments, the district did not provide any substance to support its response. Reference is also made to FY 1998-99 in the response, although processing fee waivers was not a reimbursable activity until FY 1999-2000.

The district proposes using the time increment of 4.3 minutes that was



claimed for FY 1999-2000 through FY 2005-06. The district did not provide a more thorough description by breaking down the various steps required during each of the earlier years of the audit period. The district stated that the process was entirely manual prior to FY 2001-02 and went online starting in FY 2002-03. We do not understand how the time increment of 4.3 minutes would remain the same for a partially automated system as opposed to an entirely manual process. The district provided no analysis, other than the narrative, supporting why it took 1.64 times as long to perform this activity through FY 2005-06 when compared to how long it takes now.

*Activity 8—Receiving Waiver Applications*

The district's narrative states that the system was completely manual prior to FY 2005-06, while the narrative for Activity 7 states that the fee waiver application was available online starting in FY 2002-03. The district references the filing of applications, which is part of reimbursable Activity 11 and "ensuring that everything on the application was complete," which is reimbursable Activity 9. The district also references retrieving applications, although the reimbursable activity is only for receiving applications. The district provided no analysis supporting why it took 6.12 times as long to perform this activity up through FY 2005-06 when compared to how long it takes now.

*Activity 9—Evaluating Waiver Applications*

The district's response references the sharing of information between departments. The district did not provide more clarity as to what other departments were involved in the activity of evaluating BOGG fee waiver applications. The response also outlines a number of manual steps that were required, although no time analysis was provided describing the amount of time required for each step. The district's narrative also states that the system was completely manual prior to FY 2005-06, while the narrative for Activity 7 states that the fee waiver application was available online starting in FY 2002-03. The district provided no analysis supporting why it took 2.8 times as long to perform this activity through FY 2005-06 when compared to how long it takes now.

*Activity 10—Incomplete Waiver Applications*

The reimbursable activity is to notify students of additional information required and how to obtain it, and then to hold the application in a suspense file until the information was received. However, the district's narrative makes reference to various manual processing activities that are included in Activity 9 and Activity 8. The district provided no analysis supporting why it took 4.7 times longer to perform this activity through FY 2005-06 than it takes now.

*Activity 11—Approved Waiver Applications*

We discussed the time required for this activity during the audit exit conference on November 30, 2012. However, we stated that we collectively agreed to apply .89 minutes for this activity. The 2.91 minutes indicated in the district's response originates from the district's time study for time spent on Activity 12. We applied .89 minutes to conduct Activity 11 for all years of the audit period to compute allowable costs. As a result, allowable costs increased by \$67,651.

*Activity 12—Denied Waiver Applications*

The district states that "The time study we have done today has shown it takes 3 minutes for the appeals process." However, as noted above for Activity 11, the district's time study supports 2.91 minutes for this activity, which is the time increment that we used for determining allowable costs.

**FINDING 8—  
Unallowable indirect  
costs**

The district claimed indirect costs during the audit period totaling \$2,918,815 (\$2,520,628 for enrollment fee collection activities and \$398,187 for enrollment fee waiver activities). For enrollment fee collection activities, we determined that \$230,164 is allowable and \$2,290,464 is unallowable. For enrollment fee waiver activities, we determined that \$130,320 is allowable and \$267,867 is unallowable. The costs are unallowable because of indirect cost rate calculation errors in each year of the audit period (\$83,896) and the unallowable salaries and benefits identified in Findings 1 through 7 (\$2,474,435).

*Indirect Cost Rates Claimed*

The district did not provide its approved indirect cost rate proposals for FY 1998-99 through FY 2001-02 and for FY 2004-05 through FY 2006-07.

For FY 2002-03 and FY 2003-04, the district claimed indirect costs based on indirect cost rates that it prepared using the principles of Title 2, *Code of Federal Regulations*, Part 220 (Office of Management and Budget (OMB) Circular A-21). However, the district did not obtain federal approval for these rates.

For FY 2007-08 through FY 2010-11, the district claimed indirect costs based on indirect cost rates that it prepared using the SCO FAM-29C methodology.

For all years of the audit period, we noted errors in the indirect cost rates that the district claimed.

*Recalculated Indirect Cost Rates*

For FY 1998-99 through FY 2001-02 and FY 2006-07 through FY 2010-11, we recalculated indirect costs using the SCO FAM-29C methodology. We calculated the allowable indirect cost rates each year by using the information contained in the California Community College Annual Financial Budget Report Expenditures by activity report (CCFS-311). The district incorrectly calculated its indirect cost rates using total direct costs as the base for FY 2007-08 through FY 2010-11. The district was unable to provide approved indirect cost rate proposals for FY 1998-99 through FY 2001-02 and for FY 2004-05 through FY 2006-07.

For FY 2002-03 through FY 2005-06, we used the audited indirect cost rates from our audit of the district's Health Fee Elimination Program issued on November 30, 2010. In this audit, the district prepared its indirect cost rates for FY 2002-03 and FY 2003-04 using the OMB A-21 indirect cost principles. However, the district did not obtain federal approval for these rates. The district did not provide its indirect cost rate proposals for FY 2004-05 and FY 2005-06. In the absence of an approved OMB A-21 rate, the parameters and guidelines allow districts to use either the SCO FAM-29C methodology or a 7% indirect cost rate for these fiscal years. The audited rates were based on the FAM-29C methodology.

Our calculations show that the district overstated its indirect cost rates for FY 1998-99 through FY 2007-08 and understated its indirect cost rates for FY 2008-09 through FY 2010-11.

The following table summarizes the claimed, allowable, and audit adjustments for indirect cost rates.

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Audit Adjustment</u>
1998-99	32.61%	15.01%	(17.60)%
1999-2000	32.87%	17.24%	(15.63)%
2000-01	35.16%	15.76%	(19.40)%
2001-02	35.41%	17.93%	(17.48)%
2002-03	33.72%	15.31%	(18.41)%
2003-04	29.56%	13.88%	(15.68)%
2004-05	27.57%	23.58%	(3.99)%
2005-06	25.48%	24.79%	(0.69)%
2006-07	28.44%	23.35%	(5.09)%
2007-08	28.44%	26.61%	(1.83)%
2008-09	23.87%	27.07%	3.20%
2009-10	25.28%	28.07%	2.79%
2010-11	26.20%	28.28%	2.08%

*Enrollment Fee Collection*

The district claimed \$2,520,628 for indirect costs during the audit period, related to salaries and benefits claimed for enrollment fee collection activities for FY 1998-99 through FY 2010-11. We determined that \$230,164 is allowable and \$2,290,464 is unallowable. We determined that \$68,893 is unallowable due to the indirect cost rate adjustments described above, and \$2,221,571 is unallowable as a result of the unallowable salaries and benefits identified in Findings 1 through 7.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee collection by fiscal year.

Fiscal Year	Enrollment Fee Collection				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Costs	Allowable Costs	Audit Adjustment
1998-99	32.61%	15.01%	\$ 84,598	\$ 7,670	\$ (76,928)
1999-2000	32.87%	17.24%	92,969	9,061	(83,908)
2000-01	35.16%	15.76%	139,817	10,819	(128,998)
2001-02	35.41%	17.93%	161,838	12,976	(148,862)
2002-03	33.72%	15.31%	149,237	10,761	(138,476)
2003-04	29.56%	13.88%	140,583	10,089	(130,494)
2004-05	27.57%	23.58%	142,737	17,166	(125,571)
2005-06	25.48%	24.79%	140,703	19,733	(120,970)
2006-07	28.44%	23.35%	315,371	19,817	(295,554)
2007-08	28.44%	26.61%	362,245	26,551	(335,694)
2008-09	23.87%	27.07%	383,457	26,472	(356,985)
2009-10	25.28%	28.07%	341,453	29,006	(312,447)
2010-11	26.20%	28.28%	65,620	30,043	(35,577)
Total			<u>\$ 2,520,628</u>	<u>\$ 230,164</u>	<u>\$ (2,290,464)</u>

*Enrollment Fee Waivers*

The district claimed \$398,187 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee waivers activities for FY 1999-2000 through FY 2010-11. We determined that \$130,320 is allowable and \$267,867 is unallowable. We determined that \$15,003 is unallowable due to the indirect cost rate adjustments mentioned above and \$252,864 is unallowable as a result of the unallowable salaries and benefits identified in Findings 1 through 7.

The following table summarizes the overstated indirect costs related to enrollment fee waivers by fiscal year.

Fiscal Year	Enrollment Fee Waivers				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Costs	Allowable Costs	Audit Adjustment
1999-2000	32.87%	17.24%	\$ 8,771	\$ 553	\$ (8,212)
2000-01	35.16%	15.76%	13,475	1,940	(11,535)
2001-02	35.41%	17.93%	14,636	2,457	(12,179)
2002-03	33.72%	15.31%	15,388	4,085	(11,303)
2003-04	29.56%	13.88%	19,796	4,528	(15,268)
2004-05	27.57%	23.58%	25,855	10,737	(15,118)
2005-06	25.48%	24.79%	26,709	12,326	(14,383)
2006-07	28.44%	23.35%	30,010	12,106	(17,904)
2007-08	28.44%	26.61%	40,381	15,746	(24,635)
2008-09	23.87%	27.07%	38,664	17,513	(21,151)
2009-10	25.28%	28.07%	57,007	21,984	(35,023)
2010-11	26.20%	28.28%	107,495	26,345	(81,150)
Total			<u>\$ 398,187</u>	<u>\$ 130,320</u>	<u>\$ (267,867)</u>

The parameters and guidelines (section V.B.—Claim Preparation and Submission—Indirect Costs) state that:

Indirect costs are costs that have been incurred for common or joint purposes. . . . Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, “Cost Principles of Education Institutions”; (2) the rate calculated on State Controller’s Form FAM-29C; or (3) a 7% indirect cost rate.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

The District agrees with the rates in this finding.

#### SCO’s Comment

The finding and recommendation remain unchanged.

### **FINDING 9— Understated and Overstated Offsetting Reimbursements**

The district claimed offsetting reimbursements totaling \$1,774,105 (\$698,399 for enrollment fee collection and \$1,075,706 for enrollment fee waivers). We determined that offsetting reimbursements for enrollment fee collection were understated by \$522,547, and were for enrollment fee waivers overstated by \$414,403.

*Enrollment Fee Collection*

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection totaling \$698,399, related to the offset of two percent of revenues from enrollment fees. We obtained a report from the CCCCCO confirming enrollment fee collection offsets paid to the district totaling \$1,461,258 during the audit period. We limited offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable for the audit period related to enrollment fee collection activities totaled \$1,262,227. The offsets applicable to the audit totaled \$1,220,946. The district claimed \$698,399. Consequently, the district understated offsetting reimbursements by \$522,547.

The following table summarizes the understated enrollment fee collection offsetting reimbursements by fiscal year.

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offset Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment (E) = (D-B)
1998-99	\$ 58,772	\$ (22,321)	\$ (64,114)	\$ (58,772)	\$ (36,451)
1999-2000	61,620	(20,131)	(68,148)	(61,620)	(41,489)
2000-01	79,469	(13,841)	(66,677)	(66,677)	(52,836)
2001-02	85,344	(3,775)	(67,070)	(67,070)	(63,295)
2002-03	81,047	(13,864)	(70,832)	(70,832)	(56,968)
2003-04	82,779	(27,078)	(112,206)	(82,779)	(55,701)
2004-05	89,963	(38,296)	(156,726)	(89,963)	(51,667)
2005-06	99,334	(36,402)	(158,863)	(99,334)	(62,932)
2006-07	104,686	(53,254)	(140,679)	(104,686)	(51,432)
2007-08	126,331	(41,784)	(128,290)	(126,331)	(84,547)
2008-09	124,262	(128,224)	(128,224)	(124,262)	3,962
2009-10	132,342	(157,133)	(157,133)	(132,342)	24,791
2010-11	136,278	(142,296)	(142,296)	(136,278)	6,018
Total	<u>\$ 1,262,227</u>	<u>\$ (698,399)</u>	<u>\$ (1,461,258)</u>	<u>\$ (1,220,946)</u>	<u>\$ (522,547)</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee collection costs total \$240,312 as follows:

<u>Fiscal Year</u>	<u>Actual Offsets Confirmed by the CCCCCO (A)</u>	<u>Offset Applicable to Audit (B)</u>	<u>Unused Portion of Offsets (A – B)</u>
1998-99	\$ (64,114)	\$ (58,772)	\$ (5,342)
1999-2000	(68,148)	(61,620)	(6,528)
2000-01	(66,677)	(66,677)	—
2001-02	(67,070)	(67,070)	—
2002-03	(70,832)	(70,832)	—
2003-04	(112,206)	(82,779)	(29,427)
2004-05	(156,726)	(89,963)	(66,763)
2005-06	(158,863)	(99,334)	(59,529)
2006-07	(140,679)	(104,686)	(35,993)
2007-08	(128,290)	(126,331)	(1,959)
2008-09	(128,224)	(124,262)	(3,962)
2009-10	(157,133)	(132,342)	(24,791)
2010-11	(142,296)	(136,278)	(6,018)
Total	<u>\$ (1,461,258)</u>	<u>\$ (1,220,946)</u>	<u>\$ (240,312)</u>

#### *Enrollment Fee Waivers*

For enrollment fee waivers, we also limited offsetting reimbursements received by the district to allowable direct and indirect costs. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district totaling \$1,292,321 for the audit period. Allowable direct and indirect costs applicable to the audit period related to enrollment fee waivers activities totaled \$661,303; therefore, this amount represents offsets applicable to the audit period. The district claimed \$1,075,706. Consequently, the district overstated allowable enrollment fee waiver offsets by \$414,403.

The following table summarizes the overstated enrollment fee waiver offsetting reimbursements by fiscal year:

<u>Enrollment Fee Waivers Offsets</u>					
<u>Fiscal Year</u>	<u>Allowable Direct and Related Indirect Costs (A)</u>	<u>Offsets Claimed (B)</u>	<u>Actual Offsets Confirmed by the CCCCCO (C)</u>	<u>Offset Applicable Audit (D)</u>	<u>Audit Adjustment (E) = (D-B)</u>
1999-2000	\$ 3,579	\$ (17,511)	\$ (83,694)	\$ (3,759)	\$ 13,752
2000-01	14,252	(38,326)	(71,048)	(14,252)	24,074
2001-02	16,160	(41,331)	(54,809)	(16,160)	25,171
2002-03	30,770	(45,634)	(81,422)	(30,770)	14,864
2003-04	37,154	(66,969)	(101,704)	(37,154)	29,815
2004-05	56,271	(93,780)	(116,298)	(56,271)	37,509
2005-06	62,049	(104,826)	(160,485)	(62,049)	42,777
2006-07	63,953	(105,521)	(130,033)	(63,953)	41,568
2007-08	74,919	(141,986)	(122,331)	(74,919)	67,067
2008-09	82,209	(115,586)	(123,589)	(82,209)	33,377
2009-10	100,304	(138,745)	(139,436)	(100,304)	38,441
2010-11	119,503	(165,491)	(161,472)	(119,503)	45,988
Total	<u>\$ 661,303</u>	<u>\$ (1,075,706)</u>	<u>\$ (1,292,321)</u>	<u>\$ (661,303)</u>	<u>\$ 414,403</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$631,018 as follows:

<u>Fiscal Year</u>	<u>Actual Offsets Confirmed by the CCCCOC (A)</u>	<u>Offset Applicable to Audit (B)</u>	<u>Unused Portion of Offsets (A-B)</u>
1999-2000	\$ (83,694)	\$ (3,759)	\$ (79,935)
2000-01	(71,048)	(14,252)	(56,796)
2001-02	(54,809)	(16,160)	(38,649)
2002-03	(81,422)	(30,770)	(50,652)
2003-04	(101,704)	(37,154)	(64,550)
2004-05	(116,298)	(56,271)	(60,027)
2005-06	(106,485)	(62,049)	(44,436)
2006-07	(130,033)	(63,953)	(66,080)
2007-08	(122,331)	(74,919)	(47,412)
2008-09	(123,589)	(82,209)	(41,380)
2009-10	(139,436)	(100,304)	(39,132)
2010-11	(161,472)	(119,503)	(41,969)
Total	<u>\$ (1,292,321)</u>	<u>\$ (661,303)</u>	<u>\$ (631,018)</u>

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including, but not limited to services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Enrollment Fee Collection Program:

The cost of the Enrollment Fee Collection program are subject to an offset of two percent (2%) of the revenue from enrollment fees (Ed. Code, 76000, subd.(c))

Enrollment Fee Waiver Program:

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students<sup>2</sup> or recipients of public assistance<sup>3</sup>, or dependents or surviving spouses of National Guard soldiers killed in the line of duty<sup>4</sup> as defined:



- an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
  - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and 9h0 [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].<sup>5</sup>

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - an offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
  - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

Note – Footnotes 2 through 5 are included in the parameters and guidelines to provide additional clarification.

### Recommendation

We recommend that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.

### District's Response

The District does have some minor disagreements with the amounts as confirmed by the CCCCCO; however these amounts are not significant. The District would ask the SCO to reconfirm these amounts.

### SCO's Comment

The finding and recommendation remain unchanged.

We used the offsetting reimbursements paid to the district for enrollment fee collection and enrollment fee waivers as reported to us by the CCCCCO. We recommend that the district contact the CCCCCO if there are disagreements with the offsetting reimbursements reported.

## **FINDING 10— Misstated Productive Hourly Rates for Calculating and Collecting Enrollment Fees Cost Component**

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees and for employees involved in waiving student fees. The district calculated its average productive hourly rates using a straight average methodology. However, we noted various calculation errors made in the district's productive hourly rate calculations related to enrollment fee collection activities for FY 2005-06 and for FY 2007-08 through FY 2010-11. Accordingly, we made minor adjustments to the productive hourly rate average for those years.

For the audit period, the district calculated an average productive hourly rate for the employees involved in enrollment fee collection activities by calculating each employee's productive hourly rate, adding up the total of individual productive hourly rates, and dividing by the number of employees. During our review of the district's calculations, we noted various errors made in the district's calculations.

The parameters and guidelines (section V—Claim Preparation and Submission—Direct Cost Reporting—Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The SCO's claiming instructions state that one of three options may be used to compute productive hourly rates:

- Actual annual productive hours for each employee

- The weighted-average annual productive hours for each job title, or
- 1,800 annual productive hours for all employees. (The 1,800 annual productive hours excludes time for paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken).

For FY 2005-06 and for FY 2007-08 through FY 2010-11, we noted the following errors in the district's productive hourly rate calculations:

- FY 2005-06 – the district understated salaries and benefits paid and used a base of 1,800 productive hours. After we adjusted for actual salaries and benefits paid and used a base of 1,800 productive hours, the average rate decreased by \$0.05; from \$37.26 to \$37.21.
- FY 2007-08 – the district excluded two Senior Accounting Assistants who performed the reimbursable activities from its productive hourly rate calculation. As a result, the average rate decreased by \$0.50; from \$38.37 to \$37.87.
- FY 2008-09 – the district excluded three Senior Accounting Assistants who performed the reimbursable activities from its productive hourly rate calculation. As a result, the average rate decreased by \$1.83; from \$38.05 to \$36.22.
- FY 2009-10 – the district excluded three Senior Accounting Assistants who performed the reimbursable activities from its productive hourly rate calculation. In addition, the productive hourly rate for one Enrollment Services Specialist was overstated. As a result, the average rate decreased by \$1.97; from \$40.81 to \$38.84.
- FY 2010-11 – instead of calculating a productive hourly rate average for reimbursable Activities 1 through 6 together, the district calculated averages separately for each activity. For Activity 1 (referencing student accounts) the district included nine staff who were not involved in enrollment fee collection activities. Instead, they were involved in enrollment fee waivers activities. However, the district excluded seven employees who were involved in enrollment fee collection activities who worked at the Pendleton and Escondido Education Centers. As a result, the average rate for activity 1 increased by \$2.07; from \$43.72 to \$45.79. For Activity 6 (providing refunds to students) the district excluded a Senior Accounting Assistant that was involved in the reimbursable activity in the Cashier's Office. As a result, the average rate increased by \$1.10; from \$38.01 to \$39.11.

The following table summarizes the changes that we made to average productive hourly rates for enrollment fee collection activities by fiscal year:

Fiscal Year	Enrollment Fee Collections		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1998-99	\$ 8.97	\$ 18.97	\$ —
1999-2000	19.92	19.92	—
2000-01	26.30	26.30	—
2001-02	27.46	27.46	—
2002-03	28.62	28.62	—
2003-04	31.34	31.34	—
2004-05	34.48	34.48	—
2005-06	37.26	37.21	(0.05)
2006-07	35.13	35.13	—
2007-08	38.37	37.87	(0.50)
2008-09	38.05	36.22	(1.83)
2009-10	40.81	38.84	(1.97)
2010-11 (Activity 1)	43.72	39.83	(3.89)
2010-11 (Activity 2)	30.41	30.41	—
2010-11 (Activity 3)	41.57	41.57	—
2010-11 (Activity 4)	30.41	30.41	—
2010-11 (Activity 5)	30.41	30.41	—
2010-11 (Activity 6) (a)	49.45	49.45	—
2010-11 (Activity 6) (b)	38.01	39.11	1.10

Notes:

(a) Financial Aid/Enrollment Services staff

(b) Cashier's Office staff

Recommendation

We recommend that the district ensure that productive hourly rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

District's Response

The District agrees with the productive hourly rates as shown in this finding.

SCO's Comment

The finding and recommendation remain unchanged.

**OTHER ISSUE—  
District's General  
Response**

In its response dated March 28, 2013, the district objected to the SCO's retroactive application of the district's time study results for the time required to perform enrollment fee collection and enrollment fee waivers activities during FY 2011-12 to all years of the audit period. For the purposes of this audit, this affected only our calculations of allowable costs for the cost components of "Calculating and Collecting Enrollment Fees" and "Waiving Student Fees" (Findings 3 and 7) and related indirect costs. The district also objected to the overall results of the audit for all cost components of the mandated program.

**District's Response**

Our exceptions include:

The District is being heavily penalized by the fact that the State Controller's Office did not initiate the audit until more than five years passed following the initial filing period. Adding to that challenge was the fact the eligible period of reimbursement began in July 1998. This did not allow for any opportunity to do accurate, timely time studies of how long it took to process the enrollment fee waivers and collection for this initial filing period.

In addition to the above, the State Controller's Office has not taken into consideration the automation of such procedures in recent years which meant it took longer to process the data thirteen years ago. It is an incredible burden for the District to prove how long these processes took thirteen years ago. We do believe it would have been more feasible had the State Controller's Office performed a more timely audit of these claims. It's reasonable to ascertain that with the leaps in technology over the past decade, any fee waiver and collection processes would have been much more labor-intensive thirteen years ago; however, the State Controller's Office refuses to account for this fact in their time allowances.

Based on the draft audit findings, the State Controller's Office is claiming that it only cost the District \$1,032,063 in direct costs for thirteen years to collect enrollment fees. This calculates out to an average of just less than \$80,000 a year for salaries and benefits. For most of these years, this amount would barely allow for one full time employee to handle all the duties required to prepare policies and procedures, train staff, reference student accounts, calculate the fees, answer questions, update records, collect delinquent fees and provide refunds for over 50,000 accounts a year. Also, there would have to be more than one employee in order to provide adequate coverage, so we do not see how the State Controller's Office considers this reasonable. Nor does the District understand how the State Controller's Office thinks only one person can handle this workload, especially when the process was much less automated in prior years.

Based on the draft audit findings, the State Controller's Office is claiming that it only cost the District \$661,303 in direct costs for thirteen years to provide enrollment fee waivers. This calculates out to just over \$50,000 a year for salaries and benefits to process enrollment fee waivers. This would provide funding for less than one full-time person. This part time person

would have had to prepare policies and procedures, train staff, adopt procedures, record and maintain records, answer questions, receive the applications, evaluate the applications, ask for more information when the application was incomplete, approve the applications and listen to any BOGW appeals for an average of almost 11,000 applications a year. Again, the District does not understand how the State Controller's Office considers this reasonable.

In the responses to the District's attempt to explain how manual the process was and how slow the computer was in earlier years, the State Controller's Office appeared to refuse to accept anything but irrefutable proof that this was the case. Again, this is nearly impossible to prove thirteen years after the fact, but even in cases where the State Controller's Office accepted that our requests may be reasonable, they refused to modify their report. The District does not understand this conclusion."

The district concluded with the following statement:

In Finding 3 and Finding 7, the District and the State Controller's Office are in agreement that processes have changed for the District for many of the activities eligible for reimbursement. This is also the same for most, if not all of the Community College Districts in the State. The fact that the State Controller's Office acknowledges that a change in process has occurred and a likely and significant decrease in time per activity would result is very reasonable. Failing to account for that change in earlier years of Audit Period and failing to acknowledge those changes in the audit report constitutes an arbitrary decision made by the State Controller's Office Auditors. As a result, failing to account for that change in this audit and reducing the claims for the initial filing period constitutes a violation of Government Code section 11342.600 (Administrative Procedures Act – Underground Regulation).

The District respectfully requests reconsideration and inclusion of reasonable costs in those two findings (Finding 3 and Finding 7), before publishing the Audit Report.

#### SCO's Comment

We will address the district's comments in the order in which they appear in its response.

#### Timing of the Audit

The district states in the beginning of its response that it is being "heavily penalized" due to the timing of our audit and makes reference again to the timeliness of the audit in the next paragraph of its response. The district's initial claims for this mandated program were filed in July 2006 and our audit began in May 2011. Our audit relied on the criteria for reimbursement under the mandated program contained in the parameters and guidelines, adopted by the CSM on January 26, 2006. All claimants were notified of these requirements for the Enrollment Fee Collection and Waivers Program as of that date, which have not changed since that time. Therefore, regardless of the timing of our audit, the district's claims should have been adequately supported and documented in accordance

with the requirements specified in the parameters and guidelines. In addition, the district's Enrollment Fee Collection and Waivers Programs claims for FY 1998-99 through FY 2008-09 were prepared under contracts with private mandated-cost consultants and the claims for FY 2009-10 and FY 2010-11 were prepared internally. None of the claims were supported by any actual cost information.

Length of Time to Perform the Reimbursable Activities in Prior Years

As noted above, our audit began in May 2011. We held our first status meeting with the district on July 13, 2011, in which we advised the district's Director of Fiscal Services that the claims were based on estimates and that we would be observing district staff performing the reimbursable activities in the district's Cashier's Office and Financial Aid Office. The purpose of these observations was to determine if the time increments cited in the district's claims were reasonable. After we performed these observations, we held another status meeting with the district on August 19, 2011. During that meeting, we advised the district of our conclusions that the time increments claimed were significantly overstated based on our observation results.

We asked the district to provide support for the time increments applicable to the audit period. We advised the district that, without such support, we would calculate allowable costs by applying our observation results to the entire audit period. The district's Director of Fiscal Services objected to the retroactive application of our observation results to the earlier years of the audit period at that time, noting that certain reimbursable activities took longer to perform using the computer system and processes in place during the earlier years. The district has had over 18 months to provide reasonable support for the time required to perform the reimbursable activities in the earlier years of the audit period. To date, the district has provided only a narrative dated January 11, 2013, providing a brief explanation of the systems and processes in place in the early years of the audit period. The district did not provide any analysis or documentation with the narrative to support its conclusions that the time increments originally estimated were correct.

In its response, the district states that our office "refused to accept anything but irrefutable proof" of the time required to conduct the reimbursable activities during the earlier years of the audit period. We disagree. During the audit exit conference in November 2012, we again asked the district to provide reasonable support documenting its conclusions of the time increments required to collect enrollment fees and process BOGG fee waiver applications during the earlier years of the audit period. For example, the district could have provided support in the form of employee interviews, indicating the names and classifications of the employees interviewed, dates of employment, and how they were involved in the reimbursable activities. The district also could have provided examples of forms and an explanation of the manual and computerized systems that it used. The district also could have provided some form of numerical analysis supporting the time increments that were originally estimated. Instead, the district reaffirmed the time increments cited in its claims and provided us with only a generic

description of its processes during the early years of the audit period. This information lacked the substance and specifics to support the conclusions reached.

The district also states that it did not have “any opportunity to do accurate, timely time studies of how long it took to process the enrollment fee waivers and collections” for the initial filing period FY 1998-99 through FY 2004-05. We disagree. As noted above, the parameters and guidelines for the mandated program were adopted on January 26, 2006. The SCO first issued claiming instructions for this program on April 3, 2006, stating that reimbursement claims for the initial filing period were due on or before August 1, 2006. The district had up to six months to complete a time study and apply the results to the initial filing period, thereby supporting its claims with actual cost information. After our audit began in May 2011, the district performed a time study and applied the results to the FY 2010-11 claim. This time study was performed and completed in a short period of time. We used the time increments from the district’s time study to compute allowable costs for the entire audit period. We did this because the district’s time study results were reasonable and did not differ materially from our own observations of district staff performing the reimbursable activities.

The district states that our position regarding its narrative is arbitrary and constitutes underground regulations. We disagree. The district must provide reasonable support for its claims other than its original time estimates, explaining why the results of its time study conducted in FY 2010-11 should be adjusted. We have been attempting to work with the district on this issue. However, we recognize that the parameters and guidelines were adopted in FY 2005-2006 and allowed for the filing of claims back to FY 1998-99. Therefore, we allowed time studies as a reasonable approach to resolve this dilemma, along with other forms of analysis and documentation. It is not the SCO’s responsibility to develop support for the district’s claims. Our audit scope is described on page two of the draft report, stating that our scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive. To the extent that costs claimed were based on estimates, the costs claimed are not supported by appropriate source documents and are unreasonable.



Enrollment Fee Collection and Waivers

The district states in its response its lack of understanding of how we could conclude that the district only incurred costs of \$1,032,063 to perform the six reimbursable activities of collecting enrollment fees and \$661,303 to perform the six reimbursable activities of processing BOGG fee waivers over the 13-year audit period. However, our audit report does not state that. Instead, our audit report states that the district has only *supported* costs for these amounts.

As noted previously, we asked the district to provide support describing what a student would have experienced in the earlier years of the audit period when coming to the district's Cashier's Office to pay enrollment fees and to the Financial Aid Office to have their BOGG fee waiver application processed. While the district provided a narrative explaining why the process took more time, the district did not provide any analysis or documentation with the narrative to support its conclusions that the time increments originally estimated were factually correct. Further, the district has been using the same computer system with related upgrades since FY 2000-01 for fee collections.

**Attachment—1**  
**District's Response to**  
**Draft Audit Report**

---



1140 West Mission Road, San Marcos, California 92069-1487 • (760) 744-1150, ext 2109 • www.palomar.edu

**Robert P. Deegan**  
Superintendent/President

March 28, 2013

**Governing Board**  
Nancy C. Chadwick, M.S.W., M.P.A.  
Mark R. Evilsizer, M.A.  
John J. Halcón, Ph.D.  
Nancy Ann Hensch, B.A.  
Paul P. McNamara, B.A.  
Student Trustee:  
ASG President

Jim L. Spano  
Chief, Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

**Ron Ballesteros-Perez**  
Assistant Superintendent/  
Vice President  
Finance & Administrative Services

Dear Mr. Spano:

Thank you for providing a copy of your draft audit report for the legislatively mandated Enrollment Fee Collection and Waivers Program for Palomar Community College District for the years July 1, 1998 through June 30, 2011. The District, however, takes considerable exception to your findings.

Our exceptions include:

The District is being heavily penalized by the fact that the State Controller's Office did not initiate the audit until more than five years passed following the initial filing period. Adding to that challenge was the fact the eligible period of reimbursement began in July 1998. This did not allow for any opportunity to do accurate, timely time studies of how long it took to process the enrollment fee waivers and collection for this initial filing period.

In addition to the above, the State Controller's Office has not taken into consideration the automation of such procedures in recent years which meant it took longer to process the data thirteen years ago. It is an incredible burden for the District to prove how long these processes took thirteen years ago. We do believe it would have been more feasible had the State Controller's Office performed a more timely audit of these claims. It's reasonable to ascertain that with the leaps in technology over the past decade, any fee waiver and collection processes would have been much more labor-intensive thirteen years ago; however, the State Controller's Office refuses to account for this fact in their time allowances.

Based on the draft audit findings, the State Controller's Office is claiming that it only cost the District \$1,032,063 in direct costs for thirteen years to collect enrollment fees. This calculates out to an average of just less than \$80,000 a year for salaries and benefits. For most of these years, this amount would barely allow for one full time employee to handle all the duties

required to prepare policies and procedures, train staff, reference student accounts, calculate the fees, answer questions, update records, collect delinquent fees and provide refunds for over 50,000 accounts a year. Also, there would have to be more than one employee in order to provide adequate coverage, so we do not see how the State Controller's Office considers this reasonable. Nor does the District understand how the State Controller's Office thinks only one person can handle this workload, especially when the process was much less automated in prior years.

Based on the draft audit findings, the State Controller's Office is claiming that it only cost the District \$661,303 in direct costs for thirteen years to provide enrollment fee waivers. This calculates out to just over \$50,000 a year for salaries and benefits to process enrollment fee waivers. This would provide funding for less than one full-time person. This part time person would have had to prepare policies and procedures, train staff, adopt procedures, record and maintain records, answer questions, receive the applications, evaluate the applications, ask for more information when the application was incomplete, approve the applications and listen to any BOGW appeals for an average of almost 11,000 applications a year. Again, the District does not understand how the State Controller's Office considers this reasonable.

In the responses to the District's attempt to explain how manual the process was and how slow the computer was in earlier years, the State Controller's Office appeared to refuse to accept anything but irrefutable proof that this was the case. Again, this is nearly impossible to prove thirteen years after the fact, but even in cases where the State Controller's Office accepted that our requests may be reasonable, they refused to modify their report. The District does not understand this conclusion.

With that in mind, the District submits the following as responses to the Findings made in the audit of the legislatively mandated Enrollment Fee Collection and Waivers Program:

**FINDING 1 – Enrollment Fee Collection: Preparing Policies and Procedures Cost Component – unallowable one-time costs**

Since the costs associated with this finding are minimal, the District agrees with this finding and will ensure future claimed costs are based on actual cost that are properly supported.

**FINDING 2 – Enrollment Fee Collection: Training Cost Component – unallowable one-time costs**

Since the District did not have new enrollment fee collection personnel for FY 2010-2011, we agree with the disallowance of the costs for FY 2010-2011. The District will implement cost calculating procedures ensuring future claimed costs are based on actual cost that are properly supported.

**FINDING 3 – Enrollment Fee Collection: Calculating and Collecting Enrollment Fee Cost Component – unallowable ongoing costs**

To prepare our response to the time changes that were imposed on our claims for the various enrollment fee collection activities we interviewed personnel that were here in the years indicated, along with Information Services personnel that had knowledge about the speed of the software systems throughout the years. We also found forms and procedures from earlier years. Despite the fact the State Controller's Office Audit Staff (SCO) acknowledges the fact that procedures for collecting enrollment fees may have been more time consuming during the earlier years of the audit period (e-mail dated – Wednesday, February 27), at no point has the SCO indicated they have attempted to identify these increases in costs for the reimbursable activities in their audit of claims.

As far as the actual processes are concerned, please see our comments below.

**Activity #1 – Referencing student accounts** – This process was extremely more time-consuming than today as the system was considerably slower. Until the system upgrades were completed in FY 2009-2010, the process took much longer. In addition, prior to FY 2005-06 the information needed was not always readily available because the BOGG waivers were not automated yet. Information between departments was not shared before this automation. When a student came to the cashier's window and their account had not been updated for BOGG information, the student had to physically go to the financial aid office and then back to the cashier's window.

Therefore, the District stands by the original time claimed for this activity of 3.7 minutes and thinks this is accurate through FY 2005-2006. For FY 2006-2007 through FY 2009-2010, it's reasonable to identify the time as double what it takes today which would be 1.56 minutes. For 2010-11 the .78 minutes is acceptable. Lastly, the SCO has not displayed any time-calculations to capture these time variances that occurred for this activity over the 13-year period covering this audit.

**Activity #2 – Calculating the fee** – The cashiers had to manually calculate the enrollment fees from the class schedule from FY 1998-1999 through FY 2001-2002. For fiscal years 1998-99, 1999-2000 and 2000-01, the cashiers were required to manually split every payment received between enrollment fees and other fees, and then input the Enrollment Fee manually, one at a time. If not for the Enrollment Fee Collection requirement, this activity would not have been required by Cashiering staff. Through FY 2008-2009, the cashiers had to physically check and empty out drop boxes. This meant that the enrollment fee collection process was very manual through these years. Any time study done now would not reflect this. Again, the processing time in the system was significantly slower than it is today.

When the time estimates were first prepared in FY2005-2006, the cashiers were basing their estimates on how long it took them in year 2005-2006. The process was considerably more time-consuming during the period FY 1998-1999 through FY 2001-2002. Online registration did not occur until FY 2002-2003. Even then not many students took advantage of paying on line and continued to pay by check which meant a very manual process. During this time

frame the payments had to be processed by a departmental receipt and were individually processed instead of utilizing a batch process. Printing a receipt for students at the window is still done.

As was the case with Activity #1, the SCO has not displayed any time-calculations to capture these time variances that occurred for this activity over the 13-year period covering this audit. Instead, the SCO has relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. With the above in mind, the District amends its originally claimed time amounts of 5.1 minutes through FY 2001-2002 to be reflective of this additional manual processing time. To calculate the fees manually and split out the payments would take an additional minute for a total of 6.1 minutes. From FY 2002-2003 through FY 2010-2011, the District stands by the time amounts originally claimed.

**Activity #3 – Answering questions** – Again through FY 2005-2006, very limited information was available online and information was not shared between departments. This significantly increased the amount of questions and time it took to answer student questions. From FY 2006-2007 through FY 2008-2009, although more information was available online, it was still much less so than today. Thus, students still needed their questions answered in-person, even though they could fill out their form online.

As was the case with Activities #1 and #2, the SCO has not displayed any time-calculations to capture these time variances over the 13-year period covering this audit. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore, the District stands behind its originally claimed time amount of 4.5 minutes through FY 2005-2006. From FY 2006-2007 through FY 2008-2009 the time amount should remain at 4.5 minutes, but then reduced to 1.0 minute for FY 2009-2010 and FY 2010-2011.

**Activity #4 – Updating records** – As discussed above, in years past this process was tediously manual and the system extremely slow. The staff would have to pull the information from files and re-file information manually, and even when the system was live it was incredibly slow. When the forms eventually went online the staff would still have to print out the form and file it manually. This process did not become fully automated until late in FY 2008-2009.

As was the case with the first three Activities in FINDING 3, the SCO has not displayed any time-calculations to capture these time variances over the 13-year period covering this audit due to technological improvements. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore the District stands by its originally claimed time of 3.0 minutes and this should be extended through FY 2008-2009. Beginning with FY 2009-2010, .91 minutes as identified by the SCO is acceptable.

**Activity #5 – Collecting delinquent fees** – The staff did not start utilizing COTOP as a collection process until FY 2005-06. Previously, bills were sent out to students. When a student came to the window who owed delinquent fees staff had to inform the student, collect

the fee and remove any holds on their account. The process was very manual and the system was incredibly slow. In estimating the time it took to handle this process, the staff was estimating at the high end of the time it would take to deal with the student instead of an average. Even when COTOP was being utilized, the system was incredibly slow and the payments received from COTOP had to be manually input into the student's account. There were a lot of issues with the system and all of these issues were not fully resolved until FY 2010-11.

Similar to Activities #1 through #4, the SCO has not identified any time-calculations used to represent these time variances that ultimately occurred over the 13-year period of this audit. Instead, the SCO relied on time surveys of current-day processes and extrapolated them for the entire 13-year audit period. Therefore, the District amends the time claimed to be 5.7 minutes for FY 1998-1999 through FY 2005-2006. We stand by the original time amount claimed of 5.7 minutes for FY 2006-2007 through FY 2009-2010. We accept the 1.08 minutes for FY 2010-2011.

**Activity #6 – Providing Refunds** – As there were no adjustments to our claim for this activity the District accepts the findings on this activity.

**FINDING 4 – Enrollment Fee Waivers: Preparing Policies and Procedures Cost Component – unallowable one-time costs**

The 8 hours of time claimed for Mary San Agustin should be allowed for preparing policies and procedures as she had indicated for FY 2010-2011. The cost allowable should be \$815.92.

**FINDING 5 – Enrollment Fee Waiver: Staff training Cost Component – unallowable one-time costs**

As there were no new employees in the Financial Aid area that required training in FY 2010-2011, we are in agreement with disallowing costs for that year.

**FINDING 6 – Enrollment Fee Waivers: Adopting Procedures, Recording and Maintaining Records cost component – unallowable ongoing costs**

The District is in agreement with the SCO increasing these allowable costs by \$1,130.

**FINDING 7 – Enrollment Fee Waivers: Waiving Student Fees Cost Component – unallowable ongoing costs**

To prepare our response to the time changes that were imposed on our claims for the various enrollment fee waiver activities we interviewed personnel that were here in the years indicated, along with Information Services personnel that had knowledge about the speed of the software systems throughout the years. We also found forms and procedures from earlier years. As previously described in Finding 3, despite the fact the State Controller's Office Audit Staff (SCO) acknowledges the procedures for waiving enrollment fees may have been more time

consuming during the earlier year of the audit period (e-mail dated – Wednesday, February 27), at no point has the SCO indicated they have attempted to identify these increases in costs for the reimbursable activities in their audit of claims. Our conversations with District staff, confirm this as they have not had any contact with SCO Audit Staff. As a result, the District believes the following information for Finding #7 to be accurate:

**Activity #7 – Answering Student Questions** – Prior to FY 2001-2002, all students were required to fill out a paper BOGW application. When questions arose, the staff had to physically pull the paper file out from a center cabinet in order to review the application. From FY 2002-2003 through FY 2005-2006, the staff would print out the online application and then file the paper copy to the center file. From FY 1998-1999 through FY 2005-2006, the application was printed in the class schedule and the student had to rip it out and bring it in with them. When questions arose staff still had to pull the file from the center cabinet. More time was spent up-front answering questions because there was no electronic means of communication; it was all done in-person with the students. The student had to come back in to check on their status in-person, which also meant more students ended up being in line. After FY 2005-2006, the District implemented online BOGW waiver applications in PeopleSoft. However, this was not a smooth process and the Systems Module Functional Specialist had to continually tweak the program, especially during FY 2004-2005 through FY 2008-2009. The bugs in the system cost processing delays and made answering questions even more difficult.

Prior to 2008, students were not required to fill out FAFSA when applying to college. Therefore, the staff spent a majority of the time explaining to students how to apply and who could qualify for BOGW waivers. Therefore, due to the intense manual time it took to answer questions before FY 2006-2007 the District stands by the original time claimed for this activity which was 4.3 minutes. For FY 2006-2007 and ongoing, as this process was more automated in nature, the 2.63 minutes is acceptable. As described above, the SCO does not offer a variance to match the changes in the District's process for allowable time performing this activity during the FY 1999-2000 through 2005-2006 of the Audit Period. Instead, a time-survey conducted in these last 15 months was used as the basis for allowable activity for the previous 13 years of claims.

**Activity #8 – Receiving Enrollment Fee Waiver Applications** – Prior to FY 2005-2006, the system was completely manual and the financial aid personnel would have to manually receive all applications, at the same time ensuring everything on the application was complete. These applications would also have to be filed and retrieved manually. From FY 2005-2006 through FY 2008-2009 there was an online system, but as stated above, that system was considerably slower than it currently is.

Therefore, due to the intense manual effort it took to receive all applications prior to FY 2006-2007 the District stands by the original time claimed for this activity which was 4.1 minutes. As described above, the survey for this time was taken while the District's process was still in place. As previously alluded to, the SCO does not offer a variance in the allowable time for this activity during the FY 1999-2000 through FY 2005-2006 of the Audit Period. For FY 2006-2007 onward, as this process was more automated in nature, the .67 minutes is acceptable.



**Activity #9 – Evaluating waiver applications and verifying documentation** – The same methods were employed here as above. Prior to FY 2005-2006 everything concerning an application was done manually, including verifying all applications and evaluating them. All documentation checking was a manual process as well because no information was shared electronically between departmental areas. This meant the following processes had to be done manually: checking all student IDs or social security information, verifying that the student was a California resident, analyzing and confirming the student's dependency status to ensure the proper status was indicated on the application, and looking at the appropriate tax returns.

Therefore, due to the intense manual effort it took to receive all applications prior to FY2006-07 (1999-2000 through FY 2005-2006) the District stands by the original time claimed for this activity which was 5.6 minutes. The time was determined to be representative during the period of the 2005-2006 fiscal year. The SCO has relied solely on the time surveyed in FY 2011-2012 to represent this same period of time. For FY 2006-07 and onward, as this process was more automated in nature, the 2.0 minutes is acceptable.

**Activity #10 – Notifying students of additional required information, in the case of an incomplete application** – The same methods were employed here as above. Prior to FY2005-06 students were contacted by phone or possibly e-mail. It was a highly manual process. After FY2005-06 contact was by e-mail and everything was in the system. If the student brought in more information, the file had to be pulled from the cabinet and processed manually if it was before FY2005-06. Any changes to applications between FY 2006-2007 and FY 2008-2009 had to be done by the staff because there was a system security issue that meant students could not change information themselves.

Therefore, due to the intense manual effort it took to receive all applications prior to FY 2006-2007 the District stands by the original time claimed for this activity which was 3.8 minutes. For FY 2006-2007 onward, as this process was more automated in nature, the .81 minutes is acceptable. As described in the previous Activities (#7, #8 and #9) under Finding 7, the District claimed time that was identified as accurate during the period the process was in place. As previously described, the SCO does not offer a variance in the allowable time for this activity during the FY 1999-2000 through FY 2005-2006 of the Audit Period.

**Activity #11 – Copying all documentation and file the information for further review, in the case of an approved application** – This was discussed at the exit conference and it is the District's understanding that the time approved for this activity will be 2.91 minutes for all years, to which we still agree.

**Activity #12 – Appealing a denied BOGW fee waiver application** – The District disagrees with the SCO that there is no formal appeal process for denied BOGW fee waiver applications. The appeals process is not very dissimilar to how it has always been. When a student appeals, they write out their reasoning for the appeal, the front counter staff prints out the screen (or when done manually, pulls the file), walks the information to Mary SanAgustin who looks at all the documents, enters her decision online (or on the form when it was done

manually) and gives it back to the staff person, who then contacts the student. The time study we have done today has shown it takes 3 minutes for the appeals process, and the District thinks this time should be applicable to all years.

**FINDING 8 – Unallowable indirect cost**

The District agrees with the rates in this finding.

**FINDING 9 - Understated and Overstated Offsetting Reimbursements**

The District does have some minor disagreements with the amounts as confirmed by the CCCC; however these amounts are not significant. The District would ask the SCO to reconfirm these amounts.

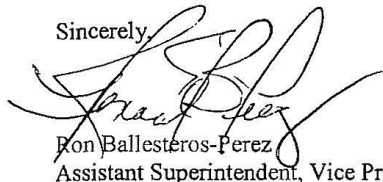
**FINDING 10 – Misstated Productive Hourly Rates for Calculating and Collecting Enrollment Fees Cost Component**

The District agrees with the productive hourly rates as shown in this finding.

In Finding 3 and Finding 7, the District and the State Controller's Office are in agreement that processes have changed for the District for many of the activities eligible for reimbursement. This is also the same for most, if not all of the Community College Districts in the State. The fact that the State Controller's Office acknowledges that a change in process has occurred and a likely and significant decrease in time per activity would result is very reasonable. Failing to account for that change in earlier years of Audit Period and failing to acknowledge those changes in the audit report constitutes an arbitrary decision made by the State Controller's Office Auditors. As a result, failing to account for that change in this audit and reducing the claims for the initial filing period constitutes a violation of Government Code section 11342.600 (Administrative Procedures Act – Underground Regulation).

The District respectfully requests reconsideration and inclusion of reasonable costs in those two findings (Finding 3 and Finding 7), before publishing the Audit Report.

Sincerely,



Ron Ballesteros-Perez  
Assistant Superintendent, Vice President of Finance and Administrative Services

## Attachment—2

### SCO's Analysis of the District's Time Increments for Enrollment Fee Collections, Activities 1 through 4

Fiscal Year	Activities	Total Credit Students (A)	Students Less Waivers & Phone/ Online (B)	Total Time Increments (C)	Total Minutes Required (D) (A)×(C) or (B)×(C)	Total Hours Required	Total Staff Claimed (F)	Hours Per Staff (G) (E)÷(F)
1998-99	1 & 3	56,905		8.2	466,621.0	7,777.0		
	2 & 4		53,215	9.1	484,256.5	8,070.9		
						<u>15,848.0</u>	7	2,264.0
1999-2000	1 & 3	57,195		7.5	428,962.5	7,149.4		
	2 & 4		45,954	9.1	418,181.4	6,969.7		
						<u>14,119.1</u>	7	2,017.0
2000-01	1 & 3	59,929		8.2	491,417.8	8,190.3		
	2 & 4		46,294	9.1	421,275.4	7,021.3		
						<u>15,211.6</u>	7	2,173.1
2001-02	1 & 3	63,507		8.2	520,757.4	8,679.3		
	2 & 4		42,665	9.1	388,251.5	6,470.9		
						<u>15,150.1</u>	8	1,893.8
2002-03	1 & 3	63,489		7.2	457,120.8	7,618.7		
	2 & 4		31,743	9.1	288,861.3	4,814.4		
						<u>12,433.0</u>	8	1,554.1
2003-04	1 & 3	62,211		7.2	447,919.2	7,465.3		
	2 & 4		23,569	9.1	214,477.9	3,574.6		
						<u>11,040.0</u>	8	1,380.0
2004-05	1 & 3	58,588		7.2	421,833.6	7,030.6		
	2 & 4		17,539	9.1	159,604.9	2,660.1		
						<u>9,690.6</u>	8	1,211.3
2005-06	1 & 3	59,189		7.2	426,160.8	7,102.7		
	2 & 4		21,208	9.1	192,992.8	3,216.5		
						<u>10,319.2</u>	13	793.8
2006-07	1 & 3	61,135		6.06	370,478.1	6,174.6		
	2 & 4		22,657	6.80	154,067.6	2,567.8		
						<u>8,742.4</u>	10	874.2

**Attachment—2 (continued)**

Fiscal Year	Activities	Total Credit Students (A)	Students Less Waivers & Phone/Online (B)	Total Time Increments (C)	Total Minutes Required (D) (A)×(C) or (B)×(C)	Total Hours Required	Total Staff Claimed (F)	Hours Per Staff (G) (E)÷(F)
2007-08	1 & 3	66,438		6.06	402,614.3	6,710.2		
	2 & 4		16,934	6.80	115,151.2	1,919.2		
						<u>8,629.4</u>	9	958.8
2008-09	1 & 3	66,485		6.06	402,899.1	6,715.0		
	2 & 4		16,768	6.80	114,022.4	1,900.4		
						<u>8,615.4</u>	9	957.3
2009-10	1 & 3	67,342		6.06	408,092.5	6,801.5		
	2 & 4		13,595	4.71	64,032.5	1,067.2		
						<u>7,868.7</u>	9	874.3
2010-11	4-Jan	65,206		3.25	211,919.5	3,532.0	various	

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**